



**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2008



Mary Taylor, CPA
Auditor of State

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 School 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 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio, as of June 30, 2008, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2009, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 16, 2009

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of the Evergreen Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets increased by \$95,032.
- General receipts accounted for \$13,279,402, or 86% of all receipts, and reflect the District's significant dependence on income taxes, property taxes and unrestricted state entitlements. Program specific receipts in the form of charges for services, operating grants, and capital grants accounted for \$2,236,846 or 14% of total receipts of \$15,516,248.
- The District's major funds included are the general fund and bond retirement fund.
- The general fund had \$12,462,337 in receipts and other financing sources and \$11,986,492 in disbursements and other financing uses. The general fund's fund balance increased \$475,845 from the prior fiscal year.
- The bond retirement fund repays debt related to school improvements bonds for the new high school, renovation of the middle school and construction of a new elementary school. The bond retirement fund had \$1,425,440 in receipts and other financing sources and \$1,260,753 in disbursements. The bond retirement fund's fund balance increased \$164,687 from the prior fiscal year.

Using the Basic Financial Statements

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets—cash basis and the statement of activities—cash basis reflect how the District did financially during fiscal year 2008. These statements are reported on the 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—cash basis and the statement of activities—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 and bond retirement.

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 cash basis of accounting. The governmental fund statements provide a detailed short term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

Table 1
Net Assets—Cash Basis
Governmental Activities

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current Assets	<u>\$ 5,249,866</u>	<u>\$ 5,154,834</u>
<u>Net Assets</u>		
Restricted	\$ 1,871,638	\$ 2,252,451
Unrestricted	<u>3,378,228</u>	<u>2,902,383</u>
Total	<u>\$ 5,249,866</u>	<u>\$ 5,154,834</u>

Total assets increased \$95,032 mainly due to increased revenue from taxes, management of expenses, and proceeds from debt financing.

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

Table 2
Changes in Net Assets—Cash Basis
Governmental Activities

	<u>Governmental Activities 2008</u>	<u>Governmental Activities 2007</u>
<u>Receipts</u>		
Program Receipts:		
Charges for Services and Sales	\$ 1,217,218	\$ 1,150,984
Operating Grants	974,912	861,252
Capital Grants	<u>44,716</u>	<u>45,725</u>
Total Program Receipts	2,236,846	2,057,961
General Receipts:		
Property and Income Taxes	7,139,631	7,073,921
Grants and Entitlements	5,671,056	5,562,736
Interest	248,235	278,514
Proceeds from notes		567,797
Proceeds from bonds		160,000
Miscellaneous	<u>220,480</u>	<u>107,805</u>
Total General Receipts	<u>13,279,402</u>	<u>13,750,773</u>
Total Revenues	15,516,248	15,808,734

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Disbursements</u>		
Instruction	\$ 7,306,451	\$ 6,716,113
Support Services:		
Pupils	579,005	518,268
Instructional Staff	747,958	647,354
Board of Education	41,321	84,445
Administration	926,593	911,546
Fiscal	332,392	323,242
Business	17,264	16,093
Operation and Maintenance of Plant	1,112,413	1,200,006
Pupil Transportation	1,235,146	1,138,294
Central	116,075	77,319
Non-Instructional	591,369	576,608
Extracurricular Activities	445,271	413,488
Capital Outlay	733,416	476,854
Debt Service Principal	333,166	459,689
Interest and Fiscal Charges	<u>903,376</u>	<u>864,411</u>
Total Disbursements	<u>15,421,216</u>	<u>14,423,730</u>
 Increase in Net Assets	 <u>\$ 95,032</u>	 <u>\$ 1,385,004</u>

Program receipts account for 14% 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 47% of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 17% of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7%. Therefore, 71% 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, grants and entitlements.

Governmental Activities

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 3
Governmental Activities—Cash Basis

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$ 7,306,451	\$ 6,716,113	\$ 5,921,118	\$ 5,489,248
Support Services:				
Pupils	579,005	518,268	574,030	511,943
Instructional Staff	747,958	647,354	727,595	629,536
Board of Education	41,321	84,445	41,321	84,445
Administration	926,593	911,546	926,593	911,546
Fiscal	332,392	323,242	332,392	323,242
Business	17,264	16,093	17,264	16,093
Operation & Maintenance of Plant	1,112,413	1,200,006	1,102,585	1,191,507
Pupil Transportation	1,235,146	1,138,294	1,235,146	1,138,294
Central	116,075	77,319	99,645	60,619
Non-Instructional	591,369	576,608	(18,794)	37,878
Extracurricular Activities	445,271	413,488	300,233	228,678
Capital Outlay	733,416	476,854	688,700	431,129
Debt Service Principal	333,166	459,689	333,166	459,689
Interest and Fiscal Charges	903,376	864,411	903,376	864,411
Total Disbursements	<u>\$ 15,421,216</u>	<u>\$ 14,423,730</u>	<u>\$ 13,184,370</u>	<u>\$ 12,387,258</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 81% of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 85%. 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 cash basis of accounting. The District's major governmental funds were the general and bond retirement. Total governmental funds had receipts of \$15,456,122, disbursements of \$15,421,216, and net other finances sources of \$60,126. The overall positive change of \$95,032 in fund balance for the year is primarily due to increased tax revenue and debt financing.

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 2008, the District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$12,212,786 were above original budgeted revenues of \$12,172,786. This \$40,000 difference was due to conservative estimates of miscellaneous revenue.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Final expenditures were budgeted at \$12,275,315 while actual expenditures were \$12,090,962. The \$184,353 difference is a result of conservative budget approval. All amounts that showed the most significant difference with budgeted amounts were the cause of under spending. Budgets are also prepared conservatively, which results in budgeted revenues to exceed expenditures. Actual General Fund revenues were \$307,863 greater than expenditures due to increased taxes and management of expenses.

Debt Administration

At June 30, 2008, the District has \$12,114,452 in general obligation and classroom facilities school improvement bonds for building improvements. There are four bond series with final maturities of December 1, 2011, 2022, 2024, and 2025. The bonds are retired from the bond retirement debt service fund.

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

Current Issues

While Evergreen Local School District currently enjoys a healthy fund balance, stagnant and/or declining revenue streams are of increasing concern. According to recent projections by the Ohio Department of Taxation, income tax receipts may not keep up with the historical increases of the past several years, and are likely to remain flat or even decrease temporarily. In addition, it will be imperative to pass a renewal of a 5-year, .75% income tax issue that will expire at the end of 2009. State Foundation funding is expected to remain flat in light of the budget shortfalls projected at the state level. As a result of these downward pressures on revenue, the next few years will be challenging in the face of difficult economic times.

The ability to decrease hospitalization insurance costs by switching to a less expensive policy and increasing the employee share of the cost as part of the 2007-2010 negotiated agreements has helped the district to control costs. However, the volatility of natural gas, electricity and fuel costs will continue to be of major concern, and price increases in these areas also tend to impact the cost of many other goods and services. The district is currently looking at other large purchased services in an effort to contain costs and avoid deficit spending.

Contacting the District's Financial Management

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

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2008

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 5,249,866</u>
NET ASSETS	
Restricted for Debt Service	1,406,289
Restricted for Capital Outlay	297,443
Restricted for Other Purposes	167,906
Unrestricted	<u>3,378,228</u>
Total Net Assets	<u>\$ 5,249,866</u>

See Accompanying Notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2008**

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
				Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 4,902,840	\$ 632,661	\$ 236,025	\$ (4,034,154)	
Special	1,581,630	68,093	448,554	(1,064,983)	
Vocational	157,401			(157,401)	
Other	664,580			(664,580)	
Support Services:					
Pupils	579,005		4,975	(574,030)	
Instructional Staff	747,958		20,363	(727,595)	
Board of Education	41,321			(41,321)	
Administration	926,593			(926,593)	
Fiscal	332,392			(332,392)	
Business	17,264			(17,264)	
Operation and Maintenance of Plant	1,112,413		9,828	(1,102,585)	
Pupil Transportation	1,235,146			(1,235,146)	
Central	116,075		16,430	(99,645)	
Operation of Non-Instructional Services	591,369	371,426	238,737	18,794	
Extracurricular Activities	445,271	145,038		(300,233)	
Capital Outlay	733,416			(688,700)	
Debt Service:					
Principal	333,166			(333,166)	
Interest and Fiscal Charges	903,376			(903,376)	
Totals	\$ 15,421,216	\$ 1,217,218	\$ 974,912	\$ 44,716	(13,184,370)
General Receipts					
Taxes					
Income Taxes					2,468,328
Property and Other Local Taxes					4,671,303
Grants and Entitlements not Restricted to Specific Programs					5,671,056
Gifts and Donations					57,898
Investment Earnings					248,235
Miscellaneous					103,407
Refund of Prior Year Expenditures					59,175
Total General Receipts					13,279,402
Change in Net Assets					95,032
Net Assets Beginning of Year					5,154,834
Net Assets End of Year					\$ 5,249,866

See Accompanying Notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2008**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 3,378,228	\$ 1,406,289	\$ 465,349	\$ 5,249,866
 FUND BALANCES				
Reserved for Encumbrances	\$ 147,420		\$ 29,183	\$ 176,603
Unreserved, Undesignated, Reported in:				
General Fund	3,230,808			3,230,808
Special Revenue Funds			148,234	148,234
Debt Service Funds		\$ 1,406,289		1,406,289
Capital Projects Funds			287,932	287,932
 <i>Total Fund Balances</i>	 \$ 3,378,228	 \$ 1,406,289	 \$ 465,349	 \$ 5,249,866

See Accompanying Notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS				
Property and Other Local Taxes	\$ 3,252,638	\$ 1,112,307	\$ 306,358	\$ 4,671,303
Income Tax	2,468,328			2,468,328
Intergovernmental	5,591,645	150,055	948,984	6,690,684
Interest	240,784		7,451	248,235
Tuition and Fees	700,754			700,754
Rent	11,570			11,570
Extracurricular Activities	13,550		131,488	145,038
Gifts and Donations	17,100		40,798	57,898
Customer Sales and Services	102,456		359,856	462,312
<i>Total Receipts</i>	<u>12,398,825</u>	<u>1,262,362</u>	<u>1,794,935</u>	<u>15,456,122</u>
DISBURSEMENTS				
Instruction				
Regular	4,876,732		26,108	4,902,840
Special	985,207		596,423	1,581,630
Vocational	157,401			157,401
Other	664,580			664,580
Support Services				
Pupils	564,685		14,320	579,005
Instructional Staff	744,264		3,694	747,958
Board of Education	41,321			41,321
Administration	854,493		72,100	926,593
Fiscal	306,791	24,211	1,390	332,392
Business	17,264			17,264
Operation and Maintenance of Plant	1,012,473		99,940	1,112,413
Pupil Transportation	1,235,146			1,235,146
Central	101,322		14,753	116,075
Operation of Non-Instructional Services	31,892		559,477	591,369
Extracurricular Activities	349,971		95,300	445,271
Capital Outlay			733,416	733,416
Debt Service				
Principal		333,166		333,166
Interest		903,376		903,376
<i>Total Disbursements</i>	<u>11,943,542</u>	<u>1,260,753</u>	<u>2,216,921</u>	<u>15,421,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	455,283	1,609	(421,986)	34,906
OTHER FINANCING SOURCES (USES)				
Transfers In		163,078	22,751	185,829
Proceeds from Sale of Capital Assets	750			750
Refund of Prior Year Expenditures	59,175			59,175
Advances In	3,587		20,400	23,987
Transfers Out	(22,550)		(163,078)	(185,628)
Advances Out	(20,400)		(3,587)	(23,987)
<i>Total Other Financing Sources (Uses)</i>	<u>20,562</u>	<u>163,078</u>	<u>(123,514)</u>	<u>60,126</u>
<i>Net Change in Fund Balances</i>	475,845	164,687	(545,500)	95,032
<i>Fund Balance at Beginning of Year</i>	2,902,383	1,241,602	1,010,849	5,154,834
<i>Fund Balance at End of Year</i>	<u>\$ 3,378,228</u>	<u>\$ 1,406,289</u>	<u>\$ 465,349</u>	<u>\$ 5,249,866</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
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property and Other Local Taxes	\$ 3,232,734	\$ 3,232,734	\$ 3,252,638	\$ 19,904
Income Tax	2,488,000	2,488,000	2,468,328	(19,672)
Intergovernmental	5,539,032	5,539,032	5,591,645	52,613
Interest	240,000	240,000	240,784	784
Tuition and Fees	611,300	611,300	700,754	89,454
Rent	9,000	9,000	11,570	2,570
Extracurricular Activities	14,600	14,600	13,550	(1,050)
Gifts and Donations	15,000	15,000	17,100	2,100
Miscellaneous	23,120	63,120	102,456	39,336
Total Revenues	12,172,786	12,212,786	12,398,825	186,039
EXPENDITURES				
Current				
Instruction				
Regular	5,017,048	5,028,520	4,940,433	88,087
Special	975,307	1,095,307	1,027,623	67,684
Vocational	134,129	132,129	170,441	(38,312)
Other	537,000	537,000	664,581	(127,581)
Support Services				
Pupils	563,439	606,112	564,700	41,412
Instructional Staff	650,308	721,359	747,265	(25,906)
Board of Education	80,133	80,533	42,871	37,662
Administration	915,486	921,215	857,569	63,646
Fiscal	308,602	313,602	307,638	5,964
Business			17,264	(17,264)
Operation and Maintenance of Plant	1,116,848	1,116,848	1,021,483	95,365
Pupil Transportation	1,208,452	1,224,799	1,245,812	(21,013)
Central	67,600	98,600	101,322	(2,722)
Operation of Non-Instructional Services	37,349	37,349	31,892	5,457
Extracurricular Activities				
Academic Oriented Activities	90,897	90,897	100,692	(9,795)
Occupation Oriented Activities	5,997	5,997	6,057	(60)
Sport Oriented Activities	229,593	229,593	232,376	(2,783)
School and Public Service Co-Curricular Activities	35,455	35,455	10,943	24,512
Total Expenditures	11,973,643	12,275,315	12,090,962	184,353
Excess of Revenues Over (Under) Expenditures	199,143	(62,529)	307,863	370,392
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	2,000	2,000	750	(1,250)
Refund of Prior Year Expenditures	32,000	63,000	59,175	(3,825)
Advances In	2,100	3,587	3,587	
Transfers Out		(22,550)	(22,550)	
Advances Out	(20,000)	(20,800)	(20,400)	400
Total Other Financing Sources (Uses)	16,100	25,237	20,562	(4,675)
Net Change in Cash Basis Fund Balances	215,243	(37,292)	328,425	365,717
Fund Balance at Beginning of Year	2,760,782	2,760,782	2,760,782	
Prior Year Encumbrances Appropriated	141,601	141,601	141,601	
Fund Balance at End of Year	\$ 3,117,626	\$ 2,865,091	\$ 3,230,808	\$ 365,717

See Accompanying Notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 33,821	\$ 44,943
	<u>33,821</u>	<u>44,943</u>
NET ASSETS		
Restricted - expendable	\$ 33,821	
Unrestricted		\$ 44,943
	<u>33,821</u>	<u>44,943</u>
Total net assets	<u>\$ 33,821</u>	<u>\$ 44,943</u>

See Accompanying Notes to the Basic Financial Statements.

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and contributions	\$ 30,183
Interest	206
Miscellaneous	1,000
Total additions	<u>31,389</u>
DEDUCTIONS:	
Payments in accordance with trust agreements	<u>960</u>
Changes in net assets	30,429
Net assets beginning of year	<u>3,392</u>
Net assets end of year	<u><u>\$ 33,821</u></u>

See Accompanying Notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

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

The School District was established in 1967 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 130 square miles. It is located in Fulton and Lucas counties and includes the entire Villages of Berkey (Lucas County), Lyons and Metamora (Fulton County), all of Amboy, Chesterfield, and Royalton (Fulton County) and Richfield (Lucas County) townships, and portions of Fulton and Pike (Fulton County), and Harding, Spencer, and Sylvania (Lucas County) townships. The School District is the 267th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 59 classified employees, 79 certified teaching personnel, and 16 administrative employees who provide services to 1,306 students and other community members. The School District currently operates three buildings.

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

A. Primary Government

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

B. Joint Venture

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

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

Fund Financial Statements

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

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

B. Fund Accounting

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

Governmental

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

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

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

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

Fiduciary Funds

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

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

C. Basis of Accounting

The School District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

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

During 2008, the School District invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by The State Bank & Trust at June 30, 2008. 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, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2008 was \$240,784; interest in the OSFC Exceptional Need Construction Fund was \$6,687, and interest in the amount of \$764 was credited to other district funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-term Obligations

These 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

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

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.

M. 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.

N. Inter-fund Transactions

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

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

NOTE 3 – COMPLIANCE

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING – (Continued)

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

General Fund	\$ 147,420
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NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District can be deposited or invested in the following securities:

United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (Continued)

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$710,366 of the School District's bank balance of \$3,494,309 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

B. Investments

As of June 30, 2008, the School District had the following investment:

	<u>Carrying Value</u>	<u>Maturity Less Than One Year</u>
STAR Ohio	\$ 1,895,612	\$ 1,895,612

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

NOTE 6 – PROPERTY TAXES

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 6 – PROPERTY TAXES – (Continued)

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the Career Center. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35% 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 real and tangible personal property taxes for 2008 were levied after April 1, 2008, on the assessed values as of December 31, 2007, the lien date. Public utility real property is assessed at 35% of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property is currently assessed at 12.5% of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2008, are available to finance fiscal year 2008 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 2008 taxes are based are as follows:

	2007 Second-Half Collections		2008 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 141,911,170	85.10%	\$ 146,938,370	86.53%
Industrial/Commercial	6,762,150	4.06%	7,008,910	4.13%
Public Utility Real Property	39,220	.02%	37,470	.02%
Public Utility Personal Property	13,599,550	8.16%	12,407,480	7.31%
General Personal Property	4,442,152	2.66%	3,428,192	2.01%
Total Assessed Value	<u>\$ 166,754,242</u>	<u>100.00%</u>	<u>\$ 169,820,422</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.35		\$ 50.35	

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 7 – INCOME TAXES

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

NOTE 8 – INTERFUND RECEIVABLE/PAYABLES

Unpaid interfund cash advance at June 30, 2008, was as follows:

	Interfund Receivable
<u>Interfund Payable</u>	General
<i>Governmental Activities</i>	
Special Revenue Funds	\$ 20,400

The interfund transactions between the general fund and Special Revenue Funds were to make expenditures for grant programs, and will be fully reimbursed by state funds.

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

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

Coverage provided by Northwest Ohio Educational Council	
General Liability:	
Per Occurrence	\$ 1,000,000
Total per Year	\$ 3,000,000
Coverage provided by Northwest Ohio Educational Council	
Blanket Property Insurance (\$1,000 deductible)	\$ 45,758,665
Coverage provided by Northwest Ohio Educational Council	
Auto Coverage	
Liability	\$ 1,000,000
Auto Medical Payment	\$ 5,000

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 9 – RISK MANAGEMENT – (Continued)

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 2008, the School District participated in the Northern Buckeye Education Council's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

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 10 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (Continued)

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

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, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the fiscal years ended June 30, 2008, 2007, and 2006 was \$758,560, \$672,157, and \$687,736, respectively. The full amount has been contributed for fiscal years 2008, 2007, and 2006. Contributions of \$525,157 were made by plan members for the fiscal year ended June 30, 2008.

B. School Employees Retirement System

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

For the fiscal year ended June 30, 2008, plan members were required to contribute 10% of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2008 was 14% of annual covered payroll; 9.82% was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006, was \$185,522, \$191,001, and \$180,978, respectively. The full amount has been contributed for fiscal years 2008, 2007, and 2006.

C. Social Security System

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

NOTE 11 – POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2008, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$58,351.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.7 billion at June 30, 2008. For the fiscal year ended June 30, 2008, net health care costs paid by STRS were \$288,878,000, and STRS had approximately 126,506 eligible benefit recipients.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 11 – POST-EMPLOYMENT BENEFITS – (CONTINUED)

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2008, employer contributions to fund health care benefits were 4.18% of covered payroll, compared to 3.32 percent of covered payroll for fiscal year 2007. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member’s pay, pro-rated for partial service credit. For fiscal year 2008, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 Percent of each employer’s SERS salaries. For the 2008 fiscal year, School District paid \$103,055 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2007, were \$219,438,662 (latest information available). At June 30, 2007, SERS had net assets available for payment of health care benefits of \$386.4 million (latest information available). SERS has 55,818 participants currently receiving health care benefits.

NOTE 12 – NOTES PAYABLE AND LONG TERM DEBT

The changes in the School District’s notes payable during fiscal year 2008 were as follows:

	Outstanding 6/30/07	Additions	Deletions	Outstanding 6/30/08
Tax Anticipation Notes	\$ 510,901	-	\$ 104,525	\$ 406,376

Tax anticipation notes totaling \$567,797 were issued February 28, 2007, and mature annually through December 2011.

Changes in long-term obligations of the School District during fiscal year 2008 were as follows:

	Outstanding 6/30/07	Additions	Deletions	Outstanding 6/30/08
General Obligation Bonds				
1999 School Improvement	\$ 1,085,406	\$ -	\$ 72,198	\$ 1,013,208
2002 Classroom Facilities	1,923,722		31,988	1,891,734
2005 Unlimited Tax Refund	9,190,000		95,003	9,094,997
2006 School Improvement	143,967	-	29,454	114,513
	\$ 12,343,095	\$ -	\$ 228,643	\$ 12,114,452

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 12 – NOTES PAYABLE AND LONG TERM DEBT – (CONTINUED)

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 July 26, 2005, \$9,350,000 face value of the bonds were refunded through the issuance of new bonds.

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.

On July 25, 2005, a bond issue for the purpose of refunding a portion of the 1999 School Improvement bond issue was made. The new issue has interest rates ranging from 3.0% to 4.2%. The bond issue included serial and capital appreciation bonds. Current interest serial bonds mature annually from 2005 through 2024. Capital appreciation bonds mature in 2014 and 2015. The maturity amount of the capital appreciation bonds is \$1,295,000.

On February 28, 2007, a bond issue for the purpose of facilities improvements was made. The new issue has an interest rate of 4.68%. The bond issue included term bonds which mature December 1, 2011.

Total expenditures for interest for the above debt for the period ended June 30, 2008, was \$903,376.

The scheduled payments of principal and interest on debt outstanding at June 30, 2008, are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2009	\$ 325,264	\$ 913,105	\$ 1,238,369
2010	756,967	471,116	1,228,083
2011	788,925	435,838	1,224,763
2012	739,674	401,686	1,141,360
2013	690,000	374,083	1,064,083
Thereafter	9,219,998	3,650,566	12,870,564
Total	<u>\$ 12,520,828</u>	<u>\$ 6,246,394</u>	<u>\$ 18,767,222</u>

NOTE 13 – SET ASIDE REQUIREMENTS

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 13 – SET ASIDE REQUIREMENTS – (CONTINUED)

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Cash Balance, June 30, 2007	\$ (187,202)	\$ -
Current Year Set-Aside Requirement	194,782	194,782
Current Year Offsets		(99,041)
Qualifying Disbursements	<u>(220,993)</u>	<u>(95,741)</u>
Cash Balance Carried Forward to FY 2008	<u>\$ (213,413)</u>	<u>\$ -</u>

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

NOTE 14 – INTERFUND TRANSFERS

Interfund cash transfers for the year ended June 30, 2008, were as follows:

<u>Transfer From</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>Total</u>
General Fund		\$ 22,550	\$ 22,550
Agency Fund		201	201
Capital Projects	\$ 163,078		<u>163,078</u>
Total	<u>\$ 163,078</u>	<u>\$ 22,751</u>	<u>\$ 185,829</u>

Transfers from the permanent improvement fund to the debt service fund were to make payments on energy conservation bonds and tax anticipation note. The transfers from the Agency Funds to the Special Revenue Funds were to close out inactive student activity funds. Transfers from the General Fund were made to Special Revenue to cover athletic participation fees, grant matching funds and operating funds for athletic activities.

NOTE 15 – CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2008.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

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

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

NOTE 17 – PUBLIC ENTITY RISK POOLS

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

The Northern Buckeye Education Council's Employee Insurance Benefits Program included health, dental, drug, and life insurance plans. The health, drug, vision, and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)**

NOTE 17 – PUBLIC ENTITY RISK POOLS – (Continued)

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

In fiscal year 2008, the Evergreen Local School District contributed a total for all four plans \$1,190,041. Financial information can be obtained from Robin Pfund, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The School District participates in a group rating plan for workers' compensation as established under section §4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Worker's Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Educational Council (NBEC) as a group purchasing pool. The Plan is governed by the NBEC and plan participants. The Executive Director of the Council coordinates the management and administration of the program. Each year, the participating/members pay an enrollment fee to the WCGRP to cover the costs of administering the program. During the fiscal year ending June 30, 2008, the School District paid an enrollment fee of \$1,338 to WCGRP to cover costs of administering the program.

C. Northwest Ohio Educational Council Self Insurance Pool

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

NOTE 18 – RELATED ORGANIZATIONS

A. Non-public School

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

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2008
(Continued)

NOTE 18 – RELATED ORGANIZATIONS – (Continued)

B. Evergreen Community Library

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, (the School District) as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 16, 2009, wherein we noted the School District's financial statements and notes follow the cash accounting basis, which is 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 School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

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

We noted a certain matter that we reported to the School District's management in a separate letter dated April 16, 2009.

Compliance and Other Matters

As part of reasonably assuring whether the Government'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 that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2008-001.

We also noted a noncompliance matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated April 16, 2009.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

April 16, 2009

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2008

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

FINDING NUMBER 2008-001

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 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.

Official's Response

The initial decision to use the cash basis "GASB 34 conversion" was made during a time when the District was experiencing serious financial difficulties and cutbacks. Since then, the District has continued to weigh the benefits of a full GAAP conversion against the additional cost in terms of both time and money of doing so, and will continue to evaluate this decision as circumstances and resources change.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	OAC §117-2-03(B) non-compliance with preparing annual financial report in accordance with accounting principles generally accepted in the United States of America.	No	Finding has not been corrected and is repeated as item 2008-001, in this report.



Mary Taylor, CPA
Auditor of State

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 7, 2009