



**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Evergreen Local School District
Fulton County
14544 County Road 6
Metamora, Ohio 43540-9740

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Evergreen Local School District (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2000 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 grants.

Jim Petro
Auditor of State

February 18, 2000

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**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999**

| | Governmental Fund Types | | |
|---|-------------------------|--------------------|---------------------|
| | General | Special Revenue | Capital Projects |
| ASSETS AND OTHER DEBITS | | | |
| Assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 357,782 | \$ 87,096 | \$ 162,846 |
| Cash with fiscal agent | | 5,468 | |
| Receivables | | | |
| Taxes | 2,455,192 | | 200,939 |
| Accounts | 13,328 | 438 | |
| Due from other governments | 357,899 | | |
| Inventory held for resale | | | |
| Materials and supplies inventory | 7,733 | | |
| Restricted assets: | | | |
| Equity in pooled cash and cash equivalents | 81,731 | | |
| Property, plant and equipment (net of accumulated depreciation, where applicable) | | | |
| Other debits: | | | |
| Amount to be provided for retirement of General long-term obligations | | | |
| Total assets and other debits | \$ 3,273,665 | \$ 93,002 | \$ 363,785 |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | |
| Liabilities: | | | |
| Accounts payable | \$ 36,097 | \$ 6,622 | \$ 22,408 |
| Accrued wages and benefits | 755,817 | 435 | |
| Compensated absences payable | 11,093 | | |
| Due to students | | | |
| Due to other governments | 108,170 | | |
| Deferred revenue | | | |
| Deferred revenue - taxes | 2,282,358 | | 186,073 |
| General obligation bonds payable | | | |
| Total liabilities | 3,193,535 | 7,057 | 208,481 |
| Equity and other credits: | | | |
| Investment in general fixed assets | | | |
| Retained earnings: | | | |
| Unreserved | | | |
| Fund Balances: | | | |
| Reserved: | | | |
| Reserved for encumbrances | 19,147 | 16,272 | 42,914 |
| Reserved for property taxes | 172,834 | | 14,866 |
| Reserved for budget set-aside | 81,731 | | |
| Unreserved: | | | |
| Undesignated | (193,582) | 69,673 | 97,524 |
| Total equity and other credits | 80,130 | 85,945 | 155,304 |
| Total liabilities, equity, and other credits | \$ 3,273,665 | \$ 93,002 | \$ 363,785 |

The notes to the general-purpose financial statements are an integral part of this statement.

| Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Totals (Memorandum Only) |
|--------------------------|------------------------|----------------------------|-------------------------------------|--------------------------------|
| | | General Fixed Assets | General Long-Term Obligations | |
| Enterprise | Trust and Agency | | | |
| \$ 19,098 | \$ 34,795 | \$ 0 | \$ 0 | \$ 661,617 5,468 |
| | | | | 2,656,131 |
| 184 | | | | 13,950 |
| 14,788 | | | | 372,687 |
| 23,762 | | | | 23,762 |
| | | | | 7,733 |
| | | | | 81,731 |
| 34,054 | | 6,104,990 | | 6,139,044 |
| | | | 1,156,151 | 1,156,151 |
| \$ 91,886 | \$ 34,795 | \$ 6,104,990 | \$ 1,156,151 | \$ 11,118,274 |

| | | | | |
|------------------|------------------|---------------------|---------------------|----------------------|
| \$ 680 | \$ 2,215 | \$ 0 | \$ 0 | 68,022 |
| 23,975 | | | | 780,227 |
| 16,834 | | | 520,500 | 548,427 |
| | 27,521 | | | 27,521 |
| 19,640 | | | 59,373 | 187,183 |
| 11,396 | | | | 11,396 |
| | | | | 2,468,431 |
| | | | 576,278 | 576,278 |
| 72,525 | 29,736 | 0 | 1,156,151 | 4,667,485 |
| | | 6,104,990 | | 6,104,990 |
| 19,361 | | | | 19,361 |
| | 850 | | | 79,183 |
| | | | | 187,700 |
| | | | | 81,731 |
| | 4,209 | | | (22,176) |
| 19,361 | 5,059 | 6,104,990 | 0 | 6,450,789 |
| \$ 91,886 | \$ 34,795 | \$ 6,104,990 | \$ 1,156,151 | \$ 11,118,274 |

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999**

| | Governmental Fund Types | |
|---|--------------------------------|----------------------------|
| | General | Special Revenue |
| Revenues: | | |
| From local sources: | | |
| Property | \$ 2,481,294 | \$ 0 |
| Income tax | 855,441 | |
| Tuition and fees | 66,490 | |
| Earnings on investments | 69,844 | |
| Gifts and donations | 18,044 | 6,000 |
| Extracurricular activities | | 175,359 |
| Intergovernmental | 3,880,448 | 344,463 |
| Miscellaneous | 3,951 | |
| Total revenues | 7,375,512 | 525,822 |
| Expenditures: | | |
| Current: | | |
| Instruction: | | |
| Regular | 3,540,336 | 56,804 |
| Special | 705,003 | 127,926 |
| Vocational | 179,825 | |
| Other | 113,207 | |
| Support services: | | |
| Pupil | 214,506 | 49,169 |
| Instructional staff | 244,127 | 22,702 |
| Board of Education | 41,242 | |
| School administration | 655,594 | 80,396 |
| Fiscal | 198,183 | |
| Business | 18,802 | |
| Operations and maintenance | 706,709 | 1,318 |
| Pupil transportation | 649,597 | |
| Central | | 9,596 |
| Non-instructional services | | 67,713 |
| Extracurricular activities | 209,260 | 98,146 |
| Debt service: | | |
| Principal retirement | | |
| Interest and fiscal charges | | |
| Total expenditures | 7,476,391 | 513,770 |
| Excess of revenues over (under) expenditures | (100,879) | 12,052 |
| Other financing sources (uses): | | |
| Operating transfers in | | 1,000 |
| Operating transfers (out) | (10,200) | |
| Proceeds of sale of fixed assets | 50 | |
| Other financing sources | | |
| Refund of prior year expenditures | 59,375 | |
| Refund of prior year receipts | (154) | |
| Total other financing sources (uses) | 49,071 | 1,000 |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | (51,808) | 13,052 |
| Fund balance, July 1 | 131,938 | 72,893 |
| Fund balance, June 30 | \$ 80,130 | \$ 85,945 |

The notes to the general-purpose financial statements are an integral part of this statement.

| Governmental Fund Types | | Fiduciary Fund Type | Totals (Memorandum Only) |
|-------------------------|-------------------|---------------------|--------------------------|
| Debt Service | Capital Projects | Expendable Trust | |
| \$ 109,970 | \$ 109,108 | \$ 0 | \$ 2,700,372 |
| | | | 855,441 |
| | | | 66,490 |
| | | 63 | 69,907 |
| | 5,068 | 500 | 29,612 |
| | 97,597 | | 175,359 |
| | | | 4,322,508 |
| | | | 3,951 |
| <u>109,970</u> | <u>211,773</u> | <u>563</u> | <u>8,223,640</u> |
| | 11,910 | | 3,609,050 |
| | 358 | | 832,929 |
| | | | 180,183 |
| | | | 113,207 |
| | | | 263,675 |
| | | | 266,829 |
| | | | 41,242 |
| | | | 735,990 |
| | 3,268 | | 201,451 |
| | | | 18,802 |
| | 119,815 | | 827,842 |
| | | | 649,597 |
| | | | 9,596 |
| | | 121 | 67,834 |
| | | | 307,406 |
| 77,155 | | | 77,155 |
| 32,815 | | | 32,815 |
| <u>109,970</u> | <u>135,351</u> | <u>121</u> | <u>8,235,603</u> |
| <u>0</u> | <u>76,422</u> | <u>442</u> | <u>(11,963)</u> |
| | | | 1,000 |
| | | | (10,200) |
| | | | 50 |
| | | 110 | 110 |
| | | | 59,375 |
| | | | (154) |
| <u>0</u> | <u>0</u> | <u>110</u> | <u>50,181</u> |
| 0 | 76,422 | 552 | 38,218 |
| 0 | 78,882 | 4,507 | 288,220 |
| <u>\$ 0</u> | <u>\$ 155,304</u> | <u>\$ 5,059</u> | <u>\$ 326,438</u> |

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR YEAR ENDED JUNE 30, 1999**

| | General | | |
|--|--------------------------|--------------------------|---|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | |
| From local sources: | | | |
| Property taxes | \$ 2,461,420 | \$ 2,451,237 | \$ (10,183) |
| Income taxes | 839,000 | \$ 838,999 | (1) |
| Tuition and fees | 65,015 | 63,966 | (1,049) |
| Earnings on investments | 70,161 | 69,215 | (946) |
| Rent | 331 | | (331) |
| Gifts and donations | 19,000 | 18,044 | (956) |
| Extracurricular activities | | | |
| Intergovernmental | 3,912,829 | 3,867,810 | (45,019) |
| Miscellaneous | 5,147 | 3,517 | (1,630) |
| Total revenues | <u>7,372,903</u> | <u>7,312,788</u> | <u>(60,115)</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 3,597,494 | 3,499,971 | 97,523 |
| Special | 740,514 | 713,480 | 27,034 |
| Vocational | 197,844 | 178,815 | 19,029 |
| Other | 120,000 | 113,207 | 6,793 |
| Support services: | | | |
| Pupil | 221,094 | 213,388 | 7,706 |
| Instructional staff | 255,850 | 239,113 | 16,737 |
| Board of Education | 45,605 | 41,660 | 3,945 |
| School administration | 701,762 | 669,821 | 31,941 |
| Fiscal | 225,934 | 197,753 | 28,181 |
| Business | 20,500 | 18,802 | 1,698 |
| Operations and maintenance | 733,118 | 705,654 | 27,464 |
| Pupil transportation | 657,880 | 643,945 | 13,935 |
| Central | 500 | | 500 |
| Non-instructional services | | | |
| Extracurricular activities | 209,165 | 208,277 | 888 |
| Debt service: | | | |
| Principal retirement | | | |
| Total expenditures | <u>7,727,260</u> | <u>7,443,886</u> | <u>283,374</u> |
| Excess of revenues over (under) expenditures | <u>(354,357)</u> | <u>(131,098)</u> | <u>223,259</u> |
| Other financing sources (uses): | | | |
| Operating transfers in | | | |
| Operating transfers (out) | (10,200) | (10,200) | 0 |
| Advances in | 25,185 | 25,185 | 0 |
| Advances (out) | (25,185) | (25,185) | 0 |
| Proceeds of sale of fixed assets | 3,172 | 50 | (3,122) |
| Refund of prior years expense | 59,916 | 59,375 | (541) |
| Other financing sources | | | |
| Refund of prior years receipts | (155) | (155) | 0 |
| Total other financing sources (uses) | <u>52,733</u> | <u>49,070</u> | <u>(3,663)</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | <u>(301,624)</u> | <u>(82,028)</u> | <u>219,596</u> |
| Fund balance, July 1 | 406,880 | 406,880 | 0 |
| Prior year encumbrances appropriated | 71,085 | 71,085 | 0 |
| Fund balance, June 30 | <u>\$ 176,341</u> | <u>\$ 395,937</u> | <u>\$ 219,596</u> |

| Special Revenue | | | Debt Service | | |
|------------------|------------------|-----------------------------------|------------------|------------------|-----------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 6,000 | 6,000 | 0 | | | |
| 179,613 | 175,359 | (4,254) | | | |
| 231,191 | 231,186 | (5) | | | |
| <u>416,804</u> | <u>412,545</u> | <u>(4,259)</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| 84,084 | 61,329 | 22,755 | | | |
| 103,941 | 102,254 | 1,687 | | | |
| 1,894 | 1,766 | 128 | | | |
| 83,761 | 77,711 | 6,050 | | | |
| 12,752 | 9,676 | 3,076 | | | |
| 67,713 | 67,713 | 0 | | | |
| 115,055 | 112,805 | 2,250 | | | |
| | | | <u>110,000</u> | <u>109,970</u> | <u>30</u> |
| <u>469,200</u> | <u>433,254</u> | <u>35,946</u> | <u>110,000</u> | <u>109,970</u> | <u>30</u> |
| <u>(52,396)</u> | <u>(20,709)</u> | <u>31,687</u> | <u>(110,000)</u> | <u>(109,970)</u> | <u>30</u> |
| 1,000 | 1,000 | 0 | 110,000 | 109,970 | 30 |
| 24,225 | 24,185 | (40) | | | |
| (24,185) | (24,185) | 0 | | | |
| <u>1,040</u> | <u>1,000</u> | <u>(40)</u> | <u>110,000</u> | <u>109,970</u> | <u>30</u> |
| (51,356) | (19,709) | 31,647 | 0 | 0 | 0 |
| 61,106 | 61,106 | 0 | | | |
| 22,844 | 22,844 | 0 | | | |
| <u>\$ 32,594</u> | <u>\$ 64,241</u> | <u>\$ 31,647</u> | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR YEAR ENDED JUNE 30, 1999
(Continued)**

| | Capital Projects | | |
|--|---------------------------|-------------------------|--|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | |
| From local sources: | | | |
| Property taxes | \$ 218,636 | \$ 217,467 | \$ (1,169) |
| Income taxes | | | |
| Tuition and fees | | | |
| Earnings on investments | | | |
| Rent | | | |
| Gifts and donations | 5,100 | 5,068 | (32) |
| Extracurricular activities | | | |
| Intergovernmental | 274,700 | 108,584 | (166,116) |
| Miscellaneous | | | |
| Total revenues | <u>498,436</u> | <u>331,119</u> | <u>(167,317)</u> |
| Expenditures: | | | |
| Current: | | | |
| Instruction: | | | |
| Regular | 12,009 | 11,910 | 99 |
| Special | | | |
| Vocational | 1,446 | 358 | 1,088 |
| Other | | | |
| Support services: | | | |
| Pupil | | | |
| Instructional staff | | | |
| Board of Education | | | |
| School administration | | | |
| Fiscal | 3,400 | 3,268 | 132 |
| Business | | | |
| Operations and maintenance | 203,847 | 165,900 | 37,947 |
| Pupil transportation | | | |
| Central | | | |
| Non-instructional services | | | |
| Extracurricular activities | | | |
| Debt service: | | | |
| Principal retirement | | | |
| Total expenditures | <u>220,702</u> | <u>181,436</u> | <u>39,266</u> |
| Excess of revenues over (under) expenditures | <u>277,734</u> | <u>149,683</u> | <u>(128,051)</u> |
| Other financing sources (uses): | | | |
| Operating transfers in | | | |
| Operating transfers (out) | (110,000) | (109,970) | 30 |
| Advances in | | | |
| Advances (out) | | | |
| Proceeds of sale of fixed assets | | | |
| Refund of prior years expense | | | |
| Other financing sources | | | |
| Refund of prior years receipts | | | |
| Total other financing sources (uses) | <u>(110,000)</u> | <u>(109,970)</u> | <u>30</u> |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | 167,734 | 39,713 | (128,021) |
| Fund balance, July 1 | 37,814 | 37,814 | 0 |
| Prior year encumbrances appropriated | 19,997 | 19,997 | 0 |
| Fund balance, June 30 | <u>\$ 225,545</u> | <u>\$ 97,524</u> | <u>\$ (128,021)</u> |

The notes to the general-purpose financial statements are an integral part of this statement.

| Expendable Trust | | | Totals (Memorandum only) | | |
|------------------|-----------------|-----------------------------------|--------------------------|-------------------|-----------------------------------|
| Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) |
| \$ 0 | \$ 0 | \$ 0 | \$ 2,680,056 | \$ 2,668,704 | \$ (11,352) |
| | | | 839,000 | 838,999 | (1) |
| | | | 65,015 | 63,966 | (1,049) |
| 83 | 63 | (20) | 70,161 | 69,278 | (883) |
| | | | 414 | 0 | (414) |
| 500 | 500 | 0 | 30,600 | 29,612 | (988) |
| | | | 179,613 | 175,359 | (4,254) |
| | | | 4,418,720 | 4,207,580 | (211,140) |
| | | | 5,147 | 3,517 | (1,630) |
| <u>583</u> | <u>563</u> | <u>(20)</u> | <u>8,288,726</u> | <u>8,057,015</u> | <u>(231,711)</u> |
| 850 | 850 | 0 | 3,694,437 | 3,574,060 | 120,377 |
| | | | 844,455 | 815,734 | 28,721 |
| | | | 199,290 | 179,173 | 20,117 |
| | | | 120,000 | 113,207 | 6,793 |
| | | | 222,988 | 215,154 | 7,834 |
| | | | 255,850 | 239,113 | 16,737 |
| | | | 45,605 | 41,660 | 3,945 |
| | | | 785,523 | 747,532 | 37,991 |
| | | | 229,334 | 201,021 | 28,313 |
| | | | 20,500 | 18,802 | 1,698 |
| | | | 936,965 | 871,554 | 65,411 |
| | | | 657,880 | 643,945 | 13,935 |
| | | | 13,252 | 9,676 | 3,576 |
| 500 | 121 | 379 | 68,213 | 67,834 | 379 |
| | | | 324,220 | 321,082 | 3,138 |
| | | | 110,000 | 109,970 | 30 |
| <u>1,350</u> | <u>971</u> | <u>379</u> | <u>8,528,512</u> | <u>8,169,517</u> | <u>358,995</u> |
| <u>(767)</u> | <u>(408)</u> | <u>359</u> | <u>(239,786)</u> | <u>(112,502)</u> | <u>127,284</u> |
| | | | 111,000 | 110,970 | (30) |
| | | | (120,200) | (120,170) | 30 |
| | | | 49,410 | 49,370 | (40) |
| | | | (49,370) | (49,370) | 0 |
| | | | 3,172 | 50 | (3,122) |
| | | | 59,916 | 59,375 | (541) |
| 232 | 110 | (122) | 232 | 110 | (122) |
| | | | (155) | (155) | 0 |
| <u>232</u> | <u>110</u> | <u>(122)</u> | <u>54,005</u> | <u>50,180</u> | <u>(3,825)</u> |
| (535) | (298) | 237 | (185,781) | (62,322) | 123,459 |
| 4,507 | 4,507 | 0 | 510,307 | 510,307 | 0 |
| | | | 113,926 | 113,926 | 0 |
| <u>\$ 3,972</u> | <u>\$ 4,209</u> | <u>\$ 237</u> | <u>\$ 438,452</u> | <u>\$ 561,911</u> | <u>\$ 123,459</u> |

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - PROPRIETARY FUND TYPE
FOR YEAR ENDED JUNE 30, 1999**

| | <u>Proprietary Fund Type</u> |
|--|----------------------------------|
| | <u>Enterprise</u> |
| Operating revenues: | |
| Sales | \$ 290,173 |
| Operating expenses: | |
| Salaries and wages | 127,349 |
| Fringe benefits | 65,457 |
| Contract services | 13,008 |
| Materials and supplies | 209,846 |
| Depreciation | 3,498 |
| Capital outlay | 306 |
| Other operating expenses | <u>217</u> |
| Total operating expenses | <u>419,681</u> |
| Operating loss | <u>(129,508)</u> |
| Nonoperating revenues: | |
| Federal commodities | 31,771 |
| Interest | 553 |
| Federal and state subsidies | <u>92,286</u> |
| Total nonoperating revenues | <u>124,610</u> |
| Loss before operating transfers | (4,898) |
| Operating transfers in | <u>9,100</u> |
| Net income | 4,202 |
| Retained earnings at July 1 | <u>15,159</u> |
| Retained earnings at June 30 | <u>\$ 19,361</u> |

The notes to the general-purpose financial statements are an integral part of this statement.

**COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR YEAR ENDED JUNE 30, 1999**

| | Proprietary Fund Type |
|---|----------------------------------|
| | Enterprise |
| Cash flows from operating activities: | |
| Cash received from sales/charges for services | \$ 290,050 |
| Cash payments to suppliers for goods and services | (178,324) |
| Cash payments for contract services | (13,008) |
| Cash payments for employee services | (125,389) |
| Cash payments for employee benefits | (62,895) |
| Cash payments for other expenses | (523) |
| | (90,089) |
| Net cash used for operating activities | |
| Cash flows from noncapital financing activities: | |
| Cash received from grants (federal) | 89,795 |
| Transfers in from other funds | 9,100 |
| Advances in from other funds | 1,000 |
| Advances out to other funds | (1,000) |
| | 98,895 |
| Net cash provided by noncapital financing activities | |
| Cash flows from investing activities: | |
| Interest on investments | 553 |
| | 553 |
| Cash flows from capital and related financing activities: | |
| Payments for capital acquisitions | (4,980) |
| | (4,980) |
| Net decrease in cash and cash equivalents | 4,379 |
| Cash and cash equivalents at beginning of year | 14,719 |
| | 19,098 |
| Cash and cash equivalents at end of year | \$ 19,098 |
| Reconciliation of operating income to net cash used for operating activities: | |
| Operating loss | \$ (129,508) |
| Adjustments to reconcile operating income to net cash provided by (used for) operating activities: | |
| Depreciation | 3,498 |
| Donated commodities used during the year | 31,771 |
| (Increase) decrease in assets: | |
| Accounts receivable | (123) |
| Material and supply inventory | (2,580) |
| (Increase) decrease in liabilities: | |
| Compensated absences payable | 3,463 |
| Intergovernmental payable | 3,420 |
| Deferred revenue | 2,187 |
| Accounts payable | 144 |
| Accrued wages and benefits | (2,361) |
| | (90,089) |
| Net cash used for operating activities | \$ (90,089) |

The notes to the general-purpose financial statements are an integral part of this statement.

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The 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.

The Reporting Entity

The District has implemented the Government Accounting Standards Board (GASB) pronouncements concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which the District officials exercise oversight responsibility.

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 Joint Vocational School, the Northern Buckeye Education Council's Employee Insurance Benefit Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, Evergreen Community Library and a parochial school. These organizations are presented in Notes 14, 15 and 16 to the general-purpose financial statements.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The modified accrual basis of accounting is followed for Governmental and Agency Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

1. Only current assets and current liabilities are generally included on their balance sheets.
2. Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
3. Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a. Revenue accrued at the end of the year included taxes, interest, student fees, and tuition.
 - b. Property taxes measurable but not available as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenues.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

4. Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources, rather than in the period earned by employees.

The Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements.

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Funds

The funds through which most Board of Education functions are typically financed.

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - The funds used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to disbursements for specified purposes.

Debt Service Fund - The fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

Capital Projects Funds - The funds used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

2. Proprietary Funds

The funds used to account for Board activities that are similar to business operations in the private sector. Proprietary Funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Proprietary fund measurement focus is upon determination of net income, financial position and cash flows.

Enterprise Funds - The funds used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds

The funds used to account for assets not owned by the Board, but held for a separate entity.

Trust Funds - The funds used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust Funds.

Agency Funds - The funds used to account for assets held by the District as an agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

General Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

General Long-Term Obligations - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The Eisenhower Math and Science, Title VI-B Flow - Through and the Preschool Disabilities special revenue funds are pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient. Budgetary information for these funds are not included within the District's reporting entity for which the "appropriated budget" is adopted, and they do not maintain separate budgetary records.

The District is required by State statute to adopt an annual appropriation budget for all funds. The specific timetable is as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

1. Prior to January 15, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. A public hearing is publicized and conducted to obtain taxpayers' comments. The purpose of this Budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board adopted budget is filed with the County Budget Commission for rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. The annual appropriation measure (the true operating budget) is then developed at the fund, function and object level of expenditures, which are the legal levels of budgetary control.
4. A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for a period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.
5. The District maintains budgetary control by not permitting expenditures to exceed appropriations within each fund, function and object without approval of the Board of Education. The Board permits management to make discretionary budgetary adjustments within each fund which are approved by the Board on a monthly basis. Any adjustments that alter the total fund appropriation require specific action of the Board.
6. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

The District's budget (budget basis) for all funds accounts for certain transactions on a basis which differs from generally accepted accounting principles (GAAP basis). The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash for budget purposes as opposed to when susceptible to accrual for GAAP purposes.
2. Expenditures and expenses are recorded when paid in cash or encumbered for budget purposes as opposed to when the liability is incurred for GAAP purposes.

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 1999 follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
For the Year Ended June 30, 1999

| | General | Special Revenue | Capital Projects | Expendable Trust |
|---|--------------------|--------------------|---------------------|---------------------|
| Budget Basis | \$ (82,028) | \$ (19,709) | \$ 39,713 | \$ (298) |
| Adjustments: | | | | |
| Revenue accruals | 62,725 | 113,277 | (9,376) | 0 |
| Expenditure accruals | (76,079) | (103,410) | (19,237) | 0 |
| Reserve for encumbrances - budgetary basis | 43,574 | 22,894 | 65,322 | 850 |
| GAAP Basis | <u>\$ (51,808)</u> | <u>\$ 13,052</u> | <u>\$ 76,422</u> | <u>\$ 552</u> |

D. Encumbrances

The District is required to use the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to Certificates of Deposit valued at cost.

Following Ohio 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 and food service fund during fiscal year 1999 amounted to \$69,844 and \$553, respectively.

Cash and cash equivalents held for the School District by the Northwest Ohio Educational Service Center are included on the combined balance sheet as "Cash with Fiscal Agent."

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. Restricted assets include

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the purchase of textbooks, for the acquisition or construction of capital assets and to create a reserve for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Estimates

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

H. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for budget stabilization, property tax advance and encumbrances. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The reserve for future appropriations represents taxes recognized as revenue under general accepted accounting principles but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

I. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food and purchased food and are expended when used.

J. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500, except for the cost of textbooks. This is based primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. No depreciation is recognized for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight line basis over an estimated useful life of five to twenty years.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

K. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned. This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Teacher Development
Education Management Information Systems (EMIS)
Eisenhower Math & Science Grant (Through Northwest Ohio Educational Service Center)
Title VI-B Flow Through (Through Northwest Ohio Educational Service Center)
Title I Grant
Title VI Grant
Drug Free Grant
Handicapped Preschool (Through Northwest Ohio Educational Service Center)

Capital Projects Fund

SchoolNet Plus
Power Up Grant

Reimbursable Grants

Enterprise Fund

National School Lunch Program
Food Distribution Program

L. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans are reflected as interfund loans receivable and inter fund loans payable.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

M. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This information is not comparable to a consolidation. Interfund-type eliminations have not been made in the combining of the data.

N. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the School District accrues vacation as earned by its employees if the leave is attributable too past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Likewise, the District accrues for sick pay benefits as earned by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future.

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

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

O. Pass-through Grants

The Eisenhower Math and Science, Title VI-B Flow Through and the Handicapped Preschool special revenue funds are pass through grants in which the Northwest Ohio Education Service Center is the primary recipient. In accordance with GASB Statement No. 24 "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance" the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

NOTE 3 - CASH AND CASH EQUIVALENTS

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 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 Treasurer has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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. 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.

At fiscal year end, the School District had \$5,468 in cash and cash equivalents held by the Northwest Ohio Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent." The Educational Service Center holds this flow through grant money for the School District along with that of

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

other school districts and therefore the School District cannot classify this money by risk under GASB Statement No. 3.

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

Deposits

At year end, the carrying amount of the School District's deposits was \$743,348 and the bank balance was \$880,875. Of the bank balance, \$186,634 was covered by federal depository insurance and \$694,241 was secured by pooled collateral that was held in the pledging financial institution's name. 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.

NOTE 4 - INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers for fiscal year 1999:

| | Transfers In | Transfers (Out) |
|------------------------------|--------------|--------------------|
| General Fund | \$ 0 | \$ (10,200) |
| <u>Special Revenue Funds</u> | | |
| Students for Other Students | 1,000 | 0 |
| <u>Enterprise Funds</u> | | |
| Food Service | 9,100 | 0 |
| <u>Agency Fund</u> | | |
| Student Managed Activity | 100 | 0 |
| Total | \$ 10,200 | \$ (10,200) |

NOTE 5 - SCHOOL DISTRICT INCOME TAX

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, 1999, the District recorded income tax revenue of \$855,441 in the General Fund, of which \$357,899 is recorded as a receivable at June 30, 1999.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against real, public utility, and tangible property located within the District. All property is required to be reappraised every six years with a triennial update.

Real property taxes, excluding public utility property, are assessed at 35 percent of appraised market value. Pertinent real property tax dates are:

| | |
|------------------|---|
| Collection Dates | January and July of the current year |
| Lien Date | January 1 of the year preceding the collection year |
| Levy Date | April 1 of the year preceding the collection year |

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25 percent of its true value.

The taxes are based on assessed values determined at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of the current calendar year. Pertinent tangible personal property tax dates are:

| | |
|------------------|---|
| Collection Dates | April and September of the current year |
| Lien Date | January 1 of the current year |
| Levy Date | April 1 of the year preceding the collection year |

Most public utility tangible personal property currently is assessed at 35 percent of its true value. Pertinent public utility tangible personal property tax dates are:

| | |
|------------------|--|
| Collection Dates | January and July of the current year |
| Lien Date | December 31 of the second year preceding the collection year |
| Levy Date | April 1 of the year preceding the collection year |

The County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and August.

The County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The County Auditor periodically remits to the District its portion of the taxes collected with final settlement in May and October.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at June 30, 1999. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion which is available to advance as of June 30, 1999.

The assessed values of properties upon which property tax revenues were based are as follows:

| | <u>Amount</u> |
|----------------------------------|-----------------------|
| Residential/Agricultural | \$ 80,862,160 |
| Commercial/Industrial | 4,797,530 |
| Public Utility Real Property | 69,460 |
| Public Utility Personal Property | 16,219,720 |
| General Personal Property | <u>4,879,530</u> |
| Total valuation | <u>\$ 106,828,400</u> |

NOTE 7 - FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

| | Balance At 7/01/98 | Additions | Disposals | Balance At 6/30/99 |
|------------------------------------|-----------------------|-------------------|-------------------|-----------------------|
| Land and land improvements | \$ 315,194 | \$ 0 | \$ 0 | \$ 315,194 |
| Buildings | 2,577,703 | 11,232 | 1,872 | 2,587,063 |
| Furniture, fixtures, and equipment | 1,589,209 | 79,514 | 137,222 | 1,531,501 |
| Vehicles | 1,018,806 | 162,241 | 99,840 | 1,081,207 |
| Textbooks and library books | 532,290 | 69,944 | 50,751 | 551,483 |
| Construction in Progress | 0 | 38,542 | 0 | 38,542 |
| Total | \$ 6,033,202 | \$ 361,473 | \$ 289,685 | \$ 6,104,990 |

A summary of the Enterprise Fund fixed assets follows:

| | Balance At 7/01/98 | Additions | Disposals | Balance At 6/30/99 |
|------------------------------------|-----------------------|-----------------|-------------|-----------------------|
| Furniture, fixtures, and equipment | \$ 177,838 | \$ 4,980 | \$ 4,169 | \$ 178,649 |
| Less accumulated depreciation | 145,266 | 3,498 | 4,169 | 144,595 |
| Total | \$ 32,572 | \$ 1,482 | \$ 0 | \$ 34,054 |

NOTE 8 - LONG-TERM OBLIGATIONS

The following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

| | Balance At 7/1/98 | Additions | Deductions | Balance At 6/30/99 |
|--------------------------|----------------------|------------------|-------------------|-----------------------|
| General Obligation Bonds | \$ 653,433 | \$ 0 | \$ 77,155 | \$ 576,278 |
| Pension Obligation | 55,698 | 59,373 | 55,698 | 59,373 |
| Compensated Absences | 501,595 | 18,905 | 0 | 520,500 |
| Total | \$ 1,210,726 | \$ 78,278 | \$ 132,853 | \$ 1,156,151 |

Debt outstanding at June 30, 1999 consisted of Energy Conservation bonds totaling \$576,278 (interest rates at June 30, 1999 were 3.6 percent to 6.0 percent). The bonds were issued in 1993, 1994, and 1996 and will mature in December 2003, 2004, and 2006, respectively.

Total expenditures for interest for the above debt for the period ended June 30, 1999 was \$32,815.

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

| Fiscal Year Ending June 30 | Principal | Interest | Total |
|-------------------------------|-------------------|-------------------|-------------------|
| 2000 | \$ 80,578 | \$ 29,238 | \$ 109,816 |
| 2001 | 84,309 | 25,300 | 109,609 |
| 2002 | 88,455 | 20,903 | 109,358 |
| 2003 | 93,101 | 16,013 | 109,114 |
| Thereafter | 229,835 | 21,072 | 250,907 |
| Total | <u>\$ 576,278</u> | <u>\$ 112,526</u> | <u>\$ 688,804</u> |

NOTE 9 - 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 accumulated sick leave to a maximum of 50 days. The amount paid to a non-certified employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 33 days. After five years of continuous service with the 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.

At June 30, 1999, the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Groups are \$11,093 and \$520,500, respectively. The liability for compensated absences in the proprietary funds at June 30, 1999 is \$16,834.

NOTE 10 - PENSION AND RETIREMENT PLANS

A. State Teachers Retirement System

The School District participates in 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and 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.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. The portion used to fund pension obligations was 10.5 percent from July 1, 1997 through June 30, 1998, and 12 percent prior to July 1, 1997. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

members and 14 percent for employers. The School District's contributions to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$532,959, \$489,754, \$475,753, respectively; equal to 100 percent of required contributions.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per 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, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. 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 contributions to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$164,403, \$148,024, \$159,659, respectively; equal to 100 percent of required contributions.

NOTE 11 - POSTEMPLOYMENT 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 non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employers' contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to 2 percent of covered payroll to the Health Care Reserve Fund. From July 1, 1997 through June 30, 1998, this allocation was increased to 3.5 percent and since July 1, 1998 this allocation was increased to 8 percent. For the School District, this amount equaled \$304,548 during the 1999 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

For this fiscal year, employer contributions to fund health care benefits were 4.98 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 1999, the minimum pay has been established at \$12,400.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$78,769 during the 1999 fiscal year.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers 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 coinsured.

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program); a public entity shared risk pool consisting of school districts 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, 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.

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. 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 Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to educational entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 13 - ENTERPRISE FUNDS SEGMENT INFORMATION

The District maintains two Enterprise Funds which provide lunchroom/cafeteria and adult education. Segment information was as follows:

| | Lunchroom/ Cafeteria | Adult Education | Total Enterprise Funds |
|-----------------------|-------------------------|--------------------|------------------------------|
| Operating revenues | \$ 290,173 | \$ 0 | \$ 290,173 |
| Depreciation | 3,498 | 0 | 3,498 |
| Operating loss | (129,508) | 0 | (129,508) |
| Donated commodities | 31,771 | 0 | 31,771 |
| Grants | 92,286 | 0 | 92,286 |
| Net Income | 4,202 | 0 | 4,202 |
| Fixed asset additions | 4,980 | 0 | 4,980 |
| Net working capital | 12,906 | 631 | 13,537 |
| Total assets | 91,255 | 631 | 91,886 |
| Total liabilities | 72,525 | 0 | 72,525 |
| Total equity | 18,730 | 631 | 19,361 |

NOTE 14 - 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, Wood, and Williams 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. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NWOCA during this fiscal year were \$23,770. 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

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity.

Total disbursements made by the District to NBEC for GAAP conversion services during fiscal years ending June 30, 1999 was \$250. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22900 State Route 34, Archbold, Ohio 43502.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

C. Four County Joint Vocational School

The Four County Joint Vocational School 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 Northwest Ohio Educational Service Center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at 22900 State Route 34, Archbold, Ohio 43502.

NOTE 15 - INSURANCE PURCHASING POOLS

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

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NBEC for employee insurance benefits during fiscal year ending June 30, 1999 was \$563,060. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During fiscal year ending June 30, 1999, the District paid an enrollment fee of \$894 to WCGRP to cover costs of administering the program.

NOTE 16 - RELATED ORGANIZATION

Non-public School

Within the 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 District. The accounting for these school operations is reflected as part of the Special Revenue Funds of the District.

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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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 17 - SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$3,552,720 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Court of Common Pleas declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

NOTE 18 - TEXTBOOK, CAPITAL IMPROVEMENTS, AND BUDGET STABILIZATION SET-ASIDES

House Bill 412 requires three reserves - textbooks and materials, capital improvements, and budget stabilization. The set-aside percentage for textbooks and capital improvements are 2% of a base revenue amount for the fiscal year ending June 30, 1999. The budget stabilization reserve is 1% of the base until a maximum of 5% is reached. The calculation of the reserves follows:

| | Textbooks | Capital Improvement | Budget Stabilization | Totals |
|--|--------------------|------------------------|-------------------------|---------------------|
| Set-aside cash balance @ 6/30/98 | \$ 0 | \$ 0 | \$ 26,815 | \$ 26,815 |
| Current Year Set-aside Requirements | 109,831 | 109,831 | 54,916 | 274,578 |
| Current Year Offsets | (19,260) | (217,466) | 0 | (236,726) |
| Qualifying Disbursements | (185,375) | (83,928) | 0 | (269,303) |
| Total | <u>\$ (94,804)</u> | <u>\$ (191,563)</u> | <u>\$ 81,731</u> | <u>\$ (204,636)</u> |
| Cash Balance Carried Forward to FY 2000 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 81,731</u> | <u>\$ 81,731</u> |
| Amount Restricted | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 81,731</u> | <u>\$ 81,731</u> |

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

The budget stabilization set-aside has been made to satisfy statutory requirements. It is reflected as a restricted asset and a reservation of fund balance on the General Fund balance sheet.

NOTE 19 - SUBSEQUENT EVENTS

On May 4, 1999, a bond issue for the purpose of renovating, rehabilitating, adding to, constructing, furnishing, equipping and otherwise improving school facilities and acquiring and improving their sites was passed. The bond issue, dated September 8, 1999, will raise \$12,000,000, payable over a maximum period of twenty-five years which will average 7.53 mills for each dollar of tax valuation.

NOTE 20 - OPERATING LEASES

The School District is obligated under leases for office equipment accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the General Fixed Asset Account Group. Total disbursements for operating leases during the fiscal year ending June 30, 1999 was \$41,867.

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STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL 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 Evergreen Local School District as of and for the year ended June 30, 1999, and have issued our report thereon dated February 18, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Evergreen Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Evergreen Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of Evergreen Local School District in a separate letter dated February 18, 2000.

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

Jim Petro
Auditors of State

February 18, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
MARCH 9, 2000**