



**Auditor of State
Betty Montgomery**

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Evergreen Local School District, Fulton County, (the School District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Evergreen Local School District, Fulton County, as of June 30, 2003, and the results of its operations and the cash flows of its enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 23, 2003

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**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2003**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$751,270	\$89,887	\$682,322	\$6,034,677
Receivables:				
Taxes	3,158,429	64,800	1,128,848	248,914
Accounts	695			
Intergovernmental	358,048	50,678		7,906,599
Interfund Receivable	9,752			
Inventory Held for Resale				
Materials and Supply Inventory	3,309			
Fixed Assets				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	<u>\$4,281,503</u>	<u>\$205,365</u>	<u>\$1,811,170</u>	<u>\$14,190,190</u>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$46,049	\$43,054			\$7,647,259
				4,600,991
167				862
14,990				8,330,315
				9,752
21,823				21,823
				3,309
250,413		\$20,549,937		20,800,350
			\$782,642	782,642
			14,478,061	14,478,061
<u>\$333,442</u>	<u>\$43,054</u>	<u>\$20,549,937</u>	<u>\$15,260,703</u>	<u>\$56,675,364</u>

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2003
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$25,275	\$6,483		\$495,675
Accrued Wages and Benefits	936,550	494		
Compensated Absences Payable				
Interfund Payable		2,252		
Intergovernmental Payable	147,316	5,498		
Deferred Revenue	2,895,457	65,179	\$1,028,528	8,134,035
Due to Students				
Other Liabilities				
Notes Payable				
General Obligation Bonds Payable				
Total Liabilities	4,004,598	79,906	1,028,528	8,629,710
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	53,415	11,582		2,582,125
Reserved for Inventory	3,309			
Reserved for Property Taxes	262,972	5,546	100,320	21,478
Unreserved, Undesignated	(42,791)	108,331	682,322	2,956,877
Total Fund Equity and Other Credits	276,905	125,459	782,642	5,560,480
Total Liabilities, Fund Equity, and Other Credits	\$4,281,503	\$205,365	\$1,811,170	\$14,190,190

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$355	\$287			\$528,075
25,296				962,340
20,541			\$571,834	592,375
7,500				9,752
14,459			76,168	243,441
8,157				12,131,356
	38,061			38,061
			4,318	4,318
			500,000	500,000
			14,108,383	14,108,383
<u>76,308</u>	<u>38,348</u>		<u>15,260,703</u>	<u>29,118,101</u>
		\$20,549,937		20,549,937
257,134				257,134
	1,000			2,648,122
				3,309
	3,706			390,316
				<u>3,708,445</u>
<u>257,134</u>	<u>4,706</u>	<u>20,549,937</u>		<u>27,557,263</u>
<u>\$333,442</u>	<u>\$43,054</u>	<u>\$20,549,937</u>	<u>\$15,260,703</u>	<u>\$56,675,364</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Expendable Trust Funds
For the Year Ended June 30, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$4,927,409	\$508,935
Interest	52,071	
Tuition and Fees	65,828	
Extracurricular Activities		152,174
Taxes	3,586,310	36,009
Miscellaneous	36,145	9,989
Total Revenues	<u>8,667,763</u>	<u>707,107</u>
Expenditures:		
Instruction:		
Regular	4,368,591	110,486
Special	805,276	205,364
Vocational	127,917	
Other	84,828	
Support services:		
Pupils	327,083	75,170
Instructional Staff	448,142	31,748
Board of Education	68,108	
Administration	817,265	71,683
Fiscal	216,164	457
Business	20,203	
Operation and Maintenance of Plant	815,711	
Pupil Transportation	877,866	275
Central		23,129
Non-Instructional Services		96,620
Extracurricular activities	286,210	77,101
Capital Outlay		8,250
Debt Service:		
Principal		
Interest		
Total Expenditures	<u>9,263,364</u>	<u>700,283</u>
Excess of Revenues Over (Under) Expenditures	<u>(595,601)</u>	<u>6,824</u>
Other Financing Sources and Uses		
Operating Transfers In		4,323
Proceeds from Sale of Bonds		
Other Financing Sources	21,064	6,923
Operating Transfers Out	(4,323)	
Total Other Financing Sources (Uses)	<u>16,741</u>	<u>11,246</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(578,860)	18,070
Fund Balance at Beginning of Year	<u>855,765</u>	<u>107,389</u>
Fund Balance at End of Year	<u><u>\$276,905</u></u>	<u><u>\$125,459</u></u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$113,551	\$3,899,536 90,836	\$41	\$9,449,431 142,948 65,828 152,174 4,812,947 47,359
843,954	346,674 225	1,000	
<u>957,505</u>	<u>4,337,271</u>	<u>1,041</u>	<u>14,670,687</u>
	15,191	1,350	4,495,618 1,010,640 127,917 84,828
			402,253 479,890 68,108 888,948 305,478 20,203 822,731 878,141 23,129 96,747 363,311 1,486,233
85,030	3,827 7,020	127	
	1,477,983		
303,101 682,862	2,182,000 24,851		2,485,101 707,713
<u>1,070,993</u>	<u>3,710,872</u>	<u>1,477</u>	<u>14,746,989</u>
<u>(113,488)</u>	<u>626,399</u>	<u>(436)</u>	<u>(76,302)</u>
225,490 -	2,681,997 26,138 (225,490)		229,813 2,681,997 131,428 (229,813)
<u>77,303</u>	<u>2,482,645</u>		<u>2,813,425</u>
302,793			
189,305	3,109,044	(436)	2,737,123
593,337	2,451,436	5,142	4,013,069
<u>\$782,642</u>	<u>\$5,560,480</u>	<u>\$4,706</u>	<u>\$6,750,192</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Trust Fund
For the Year Ended June 30, 2003**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Taxes	\$3,756,015	\$3,730,234	(\$25,781)
Intergovernmental	4,881,309	4,927,409	46,100
Tuition and Fees	65,000	67,409	2,409
Earnings on Investments	61,000	52,951	(8,049)
Extracurricular Activities			
Miscellaneous	39,300	36,141	(3,159)
Total Revenues	8,802,624	8,814,144	11,520
Expenditures:			
Current:			
Instruction:			
Regular	4,406,076	4,361,324	44,752
Special	1,059,076	807,352	251,724
Vocational	139,823	128,477	11,346
Other	90,148	84,828	5,320
Support services:			
Pupils	281,426	315,033	(33,607)
Instructional Staff	350,606	446,031	(95,425)
Board of Education	93,989	90,195	3,794
Administration	871,455	820,873	50,582
Fiscal	226,919	233,758	(6,839)
Business	21,220	20,203	1,017
Operation and Maintenance of Plant	885,259	854,898	30,361
Pupil Transportation	855,226	866,579	(11,353)
Central	515		515
Non-Instructional Services			
Extracurricular activities	287,005	283,409	3,596
Capital Outlay			
Debt Service			
Total Expenditures	9,568,743	9,312,960	255,783
Excess of Revenues Over (Under) Expenditures	(766,119)	(498,816)	267,303
Other Financing Sources and Uses			
Proceeds from Sale (Loss) of Fixed Assets	3,000	2,951	(49)
Proceeds from Sale of Bonds/notes			
Operating Transfers (Out) In	(7,500)	(4,323)	3,177
Operating Advances (Out) In	(1,450)	13,298	14,748
Other Financing Sources (Uses)	18,000	17,622	(378)
Total Other Financing Sources (Uses)	12,050	29,548	17,498
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(754,069)	(469,268)	284,801
Fund Balances at Beginning of Year	1,090,532	1,090,532	
Prior Year Encumbrances Appropriated	51,315	51,315	
Fund Balance at end of Year	\$387,778	\$672,579	\$284,801

Governmental Fund Types

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$33,148	\$30,463	(\$2,685)	\$987,924	\$980,968	(\$6,956)
544,454	498,775	(45,679)	108,225	113,551	5,326
155,300	152,174	(3,126)			
14,061	9,989	(4,072)			
<u>746,963</u>	<u>691,401</u>	<u>(55,562)</u>	<u>1,096,149</u>	<u>1,094,519</u>	<u>(1,630)</u>
128,292	121,516	6,776			
241,771	204,170	37,601			
75,170	75,170				
37,949	31,748	6,201			
89,112	74,759	14,353			
	457	(457)	86,200	85,030	1,170
36,625		36,625			
	274	(274)			
27,765	23,086	4,679			
96,747	96,620	127			
83,200	81,688	1,512			
			<u>1,339,911</u>	<u>985,963</u>	<u>353,948</u>
<u>816,631</u>	<u>709,488</u>	<u>107,143</u>	<u>1,426,111</u>	<u>1,070,993</u>	<u>355,118</u>
<u>(69,668)</u>	<u>(18,087)</u>	<u>51,581</u>	<u>(329,962)</u>	<u>23,526</u>	<u>353,488</u>
235	4,323	4,088	7,021		(7,021)
	2,252	2,252	116,131	116,132	1
(805)	(1,329)	(524)	77,146	77,303	157
<u>(570)</u>	<u>5,246</u>	<u>5,816</u>	<u>200,298</u>	<u>193,435</u>	<u>(6,863)</u>
(70,238)	(12,841)	57,397	(129,664)	216,961	346,625
42,574	42,574		465,361	465,361	
42,095	42,095				
<u>\$14,431</u>	<u>\$71,828</u>	<u>\$57,397</u>	<u>\$335,697</u>	<u>\$682,322</u>	<u>\$346,625</u>

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Expendable Trust Funds
For the Year Ended June 30, 2003
(Continued)**

	Governmental Fund Types		
	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Taxes	\$253,882	\$256,656	\$2,774
Intergovernmental	1,962,240	3,899,536	1,937,296
Tuition and Fees			
Earnings on Investments	87,000	90,836	3,836
Extracurricular Activities			
Miscellaneous		225	225
Total Revenues	2,303,122	4,247,253	1,944,131
Expenditures:			
Current:			
Instruction:			
Regular	22,194	16,408	5,786
Special			
Vocational	864		864
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	4,000	3,827	173
Business			
Operation and Maintenance of Plant	33,965	12,395	21,570
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	5,089,303	4,171,563	917,740
Debt Service	2,206,851	2,206,851	
Total Expenditures	7,357,177	6,411,044	946,133
Excess of Revenues Over (Under) Expenditures	(5,054,055)	(2,163,791)	2,890,264
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Bonds	2,681,997	2,681,997	
Proceeds from Sale of Fixed Assets	(116,215)	(116,132)	83
Refund of Prior Year Expenditures			
Advances In	24,854	26,139	1,285
Total Other Financing Sources (Uses)	2,590,636	2,592,004	1,368
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,463,419)	428,213	2,891,632
Fund Balances at Beginning of Year	2,270,732	2,270,732	
Prior Year Encumbrances Appropriated	257,932	257,932	
Fund Balance at end of Year	\$65,245	\$2,956,877	\$2,891,632

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

Fiduciary Fund Type Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
			\$5,030,969	\$4,998,321	(\$32,648)
			7,496,228	9,439,271	4,003
			65,000	67,409	2,409
\$100	\$41	(\$59)	148,100	143,828	(4,272)
			155,300	152,174	(3,126)
1,000	1,000		54,361	47,355	(7,006)
1,100	1,041	(59)	12,949,958	14,848,358	(40,640)
2,200	2,350	(150)	4,558,762	4,501,598	57,164
			1,300,847	1,011,522	289,325
			140,687	128,477	12,210
			90,148	84,828	5,320
			356,596	390,203	(33,607)
			388,555	477,779	(89,224)
			93,989	90,195	3,794
			960,567	895,632	64,935
			317,119	323,072	(5,953)
			21,220	20,203	1,017
			955,849	867,293	88,556
			855,226	866,853	(11,627)
			28,280	23,086	5,194
	126	(126)	96,747	96,746	1
			370,205	365,097	5,108
			5,089,303	4,171,563	917,740
			3,546,762	3,192,814	353,948
2,200	2,476	(276)	19,170,862	17,506,961	1,663,901
(1,100)	(1,435)	(335)	(6,220,904)	(2,658,603)	1,623,261
			3,000	2,951	(49)
			2,689,018	2,681,997	(7,021)
			(7,349)		7,349
			(1,450)	15,550	17,000
300		(300)	119,495	119,735	240
300		(300)	2,802,714	2,820,233	17,519
(800)	(1,435)	(635)	(3,418,190)	161,630	1,640,780
4,292	4,292		3,873,491	3,873,491	
849	849		352,191	352,191	
\$4,341	\$3,706	(\$635)	\$807,492	\$4,387,312	\$1,640,780

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenses, and
Change in Retained Earnings - Enterprise Funds
For the Year Ended June 30, 2003**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$346,093
Other Revenues	167
Total Operating Revenues	346,260
Operating Expenses	
Salaries	142,578
Fringe Benefits	80,882
Materials and Supplies	208,584
Depreciation	20,131
Other	14,396
Total Operating Expenses	466,571
Operating (Loss)	(120,311)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	18,380
Federal and State Subsidies	102,397
Interest	810
Total Non-Operating Revenues and Expenses	121,587
Net Income	1,276
Retained Earnings at Beginning of Year	255,858
Retained Earnings at End of Year	\$257,134

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Cash Flow
Enterprise Funds
For the Year Ended June 30, 2003**

	Proprietary Fund Types
	Enterprise Funds
Cash Flows from Operating Activities:	
Operating Loss	(\$120,311)
Adjustments to Reconcile Operating Loss to Net Cash used in Operating activities:	
Depreciation	20,131
(Increase) Decrease in Assets:	
Accounts Receivable	(167)
Intergovernmental	(2,673)
Materials and Supplies	(188)
Increase (Decrease) in Liabilities:	
Accounts Payable	335
Accrued Wages and Benefits	(2,852)
Deferred Revenue	(2,505)
Due to Other Funds	(15,000)
Due to Other Governments	(230)
Total Adjustments	(3,149)
Net Cash Used in Operating Activities	(123,460)
Cash Flows from Non-Capital and Related Financing Activities	
Earnings On Investments	810
Federal Donated Commodities Received	18,380
Non-Operating Grants Received	102,397
Net Cash Provided by Non-Capital Financing Activities	121,587
Cash Used in Capital and Related Financing Activities	
Acquisition of Capital Assets	(995)
Net Decrease in Cash and Cash Equivalents	(2,868)
Cash and Cash Equivalents at Beginning of Year	48,917
Cash and Cash Equivalents at End of Year	\$46,049

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

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**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Evergreen Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Evergreen Local School District is a local school district as defined by § 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's 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 Career Center, the Northern Buckeye Education Council's Employee Insurance Benefit Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Ohio School Plan, Evergreen Community Library, and a parochial school. These organizations are presented in Notes 15, 16 and 22 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Evergreen Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (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. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School District and 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.

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

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - Capital projects funds are 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).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. Expendable trust

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funds are accounted for in essentially the same manner as governmental funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. The proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. The full accrual basis of accounting is followed by the proprietary funds. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the proprietary funds provided they do not conflict with or contradict GASB pronouncements.

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

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

Under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, interest, tuition, grants, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

C. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund and function level of expenditure for the General Fund and the fund level of expenditure 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 in the General Fund and the function and object level within all other funds are made by the School District Treasurer.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

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TAX BUDGET

Prior to January 15, the Superintendent and Treasurer submit 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. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

ESTIMATED RESOURCES

By 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. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2003. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

APPROPRIATIONS

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

ENCUMBRANCES

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

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LAPSING OF APPROPRIATIONS

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District Treasurer is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During the fiscal year 2003, investments were limited to Star Ohio and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported 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 during fiscal year 2003 amounted to \$52,071; interest in the amount of \$91,687 was credited to other District funds.

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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while 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. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of \$500 except for the cost of textbooks. This is based

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primarily on the uniqueness of these items to a school operation and an existing five-year textbook adoption policy. Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. The School District has minimal infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of five to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, 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. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund
State Foundation Program
School Bus Purchase

Non-Reimbursable Grants

Special Revenue Funds
Auxiliary Services
Education Management Information Systems (EMIS)
Eisenhower Math and Science Grant
Title VI-B Flow Through (Through Northwest Ohio Educational Service Center)
Title I Grant
Title II-A Grant
Title V Grant
Drug Free Grant
Handicapped Preschool (Through Northwest Ohio Educational Service Center)
Title II-D Grant
Ohio Reads Grant
SchoolNet Professional Development Grant
Summer Intervention Grant

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Capital Projects Funds
School Net Plus
ONenet Connectivity Grant
IVDL Subsidy Grant
Ohio School Facilities Grant – State Share

Reimbursable Grants

Proprietary Funds
National School Lunch Program
Government Donated Commodities

H. Interfund Assets/Liabilities

Short-term interfund loans are classified as “interfund receivables” and “interfund payables”.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vested method. An accrual for earned sick leave is made to the extent it is 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 District's termination policy.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made

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from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for property taxes, materials and supply inventory, and encumbrances. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

M. 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.

N. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).

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4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements for all governmental fund types:

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$578,860)	\$18,070	\$189,305	\$3,109,044
Change in receivables and other assets not recognized on budget basis – July 1 to June 30	(214,870)	(92,666)	(158,120)	(7,775,040)
Change in liabilities not recognized on budget basis – July 1 to June 30	403,152	80,825	185,776	8,172,009
Reserve for encumbrances – budgetary basis	(78,690)	(18,065)		(3,077,800)
Budgetary Basis	(\$469,268)	(\$12,841)	\$216,961	\$428,213

4. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 pass book accounts.

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

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

1. United States treasury 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);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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During fiscal year 2003, the School District's investments were limited to STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investments purposes. STAR Ohio is not registered with the SEC as an investment company, but does operated 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, 2003. During the fiscal year, all investments of the School District had a maturity of two years or less.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits

At fiscal year end, the carrying amount of the School District's deposits was \$7,218,979 and the bank balance was \$7,349,596. \$304,636 of the bank balance was covered by federal depository insurance. \$7,044,960 was secured by pooled collateral that was held in the pledging financial institution's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the School District to a successful claim by the FDIC.

Investments

The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form. The \$428,280 carrying value in the STAR Ohio represents the fair value at June 30, 2003.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$7,647,259	
Investments:		
STAR Ohio	(428,280)	\$428,280
GASB Statement 3	\$7,218,979	\$428,280

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5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year.

Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2003 taxes are based as follows:

	2002 Second-Half Collections		2003 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$108,055,170	81.33%	\$119,663,440	82.08%
Commercial/Industrial	5,052,710	3.80%	6,223,720	4.27%
Public Utility Real Property	56,000	0.04%	58,060	0.04%
Public Utility Personal Property	13,898,590	10.46%	12,920,300	8.86%
General Personal Property	5,794,869	4.36%	6,916,350	4.74%
Total	<u>\$132,857,339</u>	<u>100.00%</u>	<u>\$145,781,870</u>	<u>100.00%</u>

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Fulton and Lucas County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at June 30, 2003. 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, 2003.

6. INCOME TAX

In 1990, the voters of the Evergreen Local School District passed a $\frac{3}{4}$ 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, 2003, the District

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recorded income tax revenue of \$873,690 in the General Fund, of which \$356,721 is recorded as a receivable at June 30, 2003.

7. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

8. FIXED ASSETS

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

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Land and land improvements	\$1,203,842			\$1,203,842
Buildings	14,406,619	\$230,707		14,637,326
Furniture, fixtures, and equipment	1,913,427	37,777		1,951,204
Vehicles	1,259,792	400		1,260,192
Textbooks and library books	588,734			588,734
Construction in Progress		908,639		908,639
Total	<u>\$19,372,414</u>	<u>\$1,177,523</u>		<u>\$20,549,937</u>

A summary of changes in the Enterprise Fund fixed assets is as follows:

	Balance at 07/01/02	Additions	Deductions	Balance at 06/30/03
Furniture, fixtures, and equipment	\$443,291	\$995		\$444,286
Accumulated depreciation	(173,742)	(20,131)		(193,873)
Total	<u>\$269,549</u>	<u>(\$19,136)</u>		<u>\$250,413</u>

9. RISK MANAGEMENT

A. Property and Liability

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 considered.

Coverage provided by Ohio School Plan

General Liability:

Per Occurrence

\$1,000,000

Total per Year

3,000,000

Coverage provided by Indiana Insurance

Blanket Property Insurance (\$5,000 deductible)

\$37,348,884

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

Coverage provided by Ohio School Plan	
Auto Coverage	
Liability	\$1,000,000
Auto Medical Payment	5,000

B. Workers' Compensation

For fiscal year 2003, the School District participated in the Northern Buckeye Education Council's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). 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 Benefits

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.

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$ 484,984, \$ 482,044 and \$ 411,015 respectively; equal to 100 percent of the required contributions for each year.

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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

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 School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002 and 2001 were \$201,303, \$201,075 and \$185,999, respectively; equal to 100 percent of the required contribution for each year.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

C. Social Security System

Effective July 1, 1991, employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. The Board's liability is 6.2 percent of wages paid. In 2003 only the Board of Education members were covered under Social Security.

11. POSTEMPLOYMENT BENEFITS

The 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 on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. For the School District, this amount equaled \$229,730 during the 2003 fiscal year. The balance in the Health Care Reserve Fund was \$3.011 billion at June 30, 2002 (the latest information available). For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000. There were 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2002, (the latest information available), the allocation rate was 8.54 percent. 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 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$147,572 during the 2003 fiscal year. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777. The number of participants currently receiving health care benefits is 50,000. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn 10 vacation days per year. However, the

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 School District, a retiring non-certified employee is entitled to receive \$20 per day for his/her accumulation of unused sick leave between the 132nd and the 240th day.

At June 30, 2003 the current amount of unpaid compensated absences, in all funds except for the proprietary funds, and the balance of the liability in the General fund and the General Long-Term Obligation Account Group was \$0 and \$571,834 respectively. The liability for compensated absences in the proprietary funds at June 30, 2003 was \$20,541.

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2003, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 07/01/02	Additions	Reductions	Balance at 06/30/03
Notes payable	\$2,182,000	\$500,000	\$2,182,000	\$500,000
General obligation bonds	12,134,243	2,277,241	303,101	14,108,383
Compensated absences payable	532,392	39,442		571,834
Capital Leases	8,250		3,932	4,318
SERS and SERS surcharge	72,241	3,927		76,168
Total	<u>\$14,929,126</u>	<u>\$2,820,610</u>	<u>\$2,489,033</u>	<u>\$15,260,703</u>

Debt outstanding at June 30, 2003 includes Energy Conservation Bonds totaling \$229,835 (interest rates at June 30, 2003 were 5.3 percent to 5.65 percent). The Energy conservation bonds were issued in 1993, 1994, and 1996 and will mature in December 2003, 2004, and 2006, respectively.

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. For fiscal year 2003 \$95,244 was accreted for a total capital appreciation bond value of \$491,552.

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. Tax anticipation notes totaling \$500,000 were issued

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

on September 18, 2002 and mature annually from 2003 through 2006. General obligation classroom facilities improvement bonds totaling \$2,182,000 were issued October 17, 2002 with interest rates ranging from 2 percent to 18.77 percent. The bonds mature annually from 2003 through 2025.

During FY 2002 the District entered into a capital lease agreement for the purchase of a mower. The current balance at June 30, 2003 was \$4,318. General fixed assets acquired by leases have been capitalized in the General Fixed Assets Account Group. A corresponding liability was recorded in the General Long-Term Obligations Account Group. There were no new capital leases entered into during the current year.

Total expenditures for interest for the above debt for the period ended June 30, 2003 was \$707,713.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2004	\$433,235	\$699,988	\$1,133,223
2005	438,521	679,160	1,117,681
2006	440,501	658,004	1,098,505
2007	165,401	1,021,741	1,187,142
2008	104,187	1,042,624	1,146,811
Thereafter	12,526,538	5,996,329	18,522,867
Total	<u>\$14,108,383</u>	<u>\$10,097,846</u>	<u>\$24,206,229</u>

14. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise Funds which provide lunchroom/cafeteria and adult education. Segment information for the year ended June 30, 2003 was as follows:

	Food Service	Adult Education	Total Enterprise Funds
Operating Revenues	\$346,260		\$346,260
Depreciation Expense	20,131		20,131
Operating Income (Loss)	(120,311)		(120,311)
Operating Grants	120,777		120,777
Investment Income	810		810
Net Income	1,276		1,276
Net working capital	6,091	\$630	6,721
Total Assets	332,812	630	333,442
Total Equity	256,504	630	257,134

15. 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,

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

Henry, 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.

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 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 (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams 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, Cindy Siler, 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 the Four County Joint Vocational School Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

16. GROUP PURCHASING POOLS

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

In fiscal year 2003, the Evergreen Local School District contributed a total for all four plans \$910,601. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The School District participates in a group rating plan for workers' compensation as established under § 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, 2003, the School District paid an enrollment fee of \$925 to WCGRP to cover costs of administering the program.

C. Ohio School Plan

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under § 2744.081 of the Ohio Revised Code. The Plan 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 fifteen member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members, financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

**EVERGREEN LOCAL SCHOOL DISTRICT
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**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

C. State School Funding Decision

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

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

18. INTERFUND TRANSACTIONS

Interfund balances at June 30, 2003 consist of the following individual fund receivables and payables.

	Due From Other Funds	Due To Other Funds
General Fund	\$9,752	
Enterprise Fund		\$7,500
Special Revenue Funds		2,252
Total transfers	\$9,752	\$9,752

19. AGENCY FUNDS

Combined Statement of Changes
in Assets and Liabilities

	Balance at 07/01/00	Additions	Deductions	Balance at 06/30/03
Cash	\$42,363		\$4,015	\$38,348
Other liabilities	\$42,363		\$4,015	\$38,348

20. STATUTORY RESERVES

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

	Textbooks	Capital Improvements
Set-aside Balance, June 30, 2002	(\$214,230)	
Current Year Set-Aside Requirement	170,018	\$170,018
Current Year Offsets		(170,018)
Qualifying Disbursements	(181,231)	
Balance Carried Forward to FY 2004	(\$225,443)	

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.

21. 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, 2003 was \$4,633.

22. RELATED ORGANIZATION

A. Non-public School

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

B. Evergreen Community Library

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

23. OHIO SCHOOL FACILITIES COMMISSION

In fiscal year 2002, the School District was approved for a grant from the Ohio School Facilities Commission for a \$14,447,639 building construction and renovation project. The project will be financed by an \$11,765,639 grant from the Ohio School Facilities Commission. The local share is

**EVERGREEN LOCAL SCHOOL DISTRICT
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**Notes to General-Purpose Financial Statements
June 30, 2003
(Continued)**

\$2,682,000 and is financed through issuance of bonds in the amount of \$2,182,000 and \$500,000 through a tax anticipation note against future proceeds of the permanent levy. The bond issue will be paid from the proceeds of 1.15 mill tax levy approved by the voters of the District on May 7, 2002. As of June 30, 2003 the District has recognized a receivable of \$7,906,599 for the amounts still due for the State portion of the project.

24. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount</u>
Geo Gradel	\$ 894,028
Comte Construction Company	1,103,750
LR Babcock, Inc.	1,080,000
Romanoff Electric Co.	727,683
Accel Fire Systems	103,500
Findlay Telecom	51,900



**Auditor of State
Betty Montgomery**

**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, 2003, and have issued our report thereon dated December 23, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 test 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 controls 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 management of Evergreen Local School District in a separate letter dated December 23, 2003.

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

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

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

Betty Montgomery
Auditor of State

December 23, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

EVERGREEN LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 5, 2004**