



Mary Taylor, CPA
Auditor of State

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District (the District), Fulton County, Ohio as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio, as of June 30, 2006, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

January 31, 2007

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of the Evergreen Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- In total, net assets increased by \$ 522,391.
- General receipts accounted for \$11,961,694, or 84% of all receipts, and reflect the District's significant dependence on income taxes, property taxes and unrestricted state entitlements. Program specific receipts in the form of charges for services, operating grants, and capital grants accounted for \$2,347,574 or 16% of total receipts of \$14,309,268.
- The District's major funds included are the general and debt service funds.
- The general fund had \$11,289,888 in receipts and other financing sources and \$10,524,901 in disbursements and other financing uses. The general fund's fund balance increased \$764,987 from the prior fiscal year.
- The debt service fund repays debt related to energy conservation notes and school improvements bonds for the new high school, renovation of the middle school and construction of a new elementary school. The debt service fund had \$1,408,777 in receipts and other financing sources and \$1,391,689 in disbursements. The debt service fund's fund balance increased \$17,088 from the prior fiscal year.

Using the Basic Financial Statements

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets – modified cash basis and the statement of activities – modified cash basis reflect how the District did financially during fiscal year 2006. These statements are reported on the modified cash basis of accounting which reflects receipts and disbursements when cash is received or paid.

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

Table 1
Net Assets – Modified Cash Basis
Governmental Activities

<u>Assets</u>	<u>2006</u>	<u>2005</u>
Current Assets	\$ 3,769,830	\$ 3,247,439
Total Assets	<u>3,769,830</u>	<u>3,247,439</u>
 <u>Net Assets</u>		
Restricted	1,517,822	1,760,418
Unrestricted	<u>2,252,008</u>	<u>1,487,021</u>
Total	<u>\$ 3,769,830</u>	<u>\$ 3,247,439</u>

Total assets increased \$522,391 mainly due increased revenue from taxes and management of expenses.

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

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

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<u>Receipts</u>		
Program Receipts:		
Charges for Services and Sales	\$ 1,185,465	\$ 1,091,482
Operating Grants	1,083,095	887,360
Capital Grants	<u>79,014</u>	<u>331,922</u>
Total Program Receipts	2,347,574	2,310,764
General Receipts:		
Property and Income Taxes	6,406,153	5,588,152
Grants and Entitlements	5,286,554	5,333,816
Interest	139,639	89,642
Miscellaneous	<u>129,348</u>	<u>387,360</u>
Total General Receipts	<u>11,961,694</u>	<u>11,398,970</u>
Total Revenues	<u>14,309,268</u>	<u>13,709,734</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

	<u>Governmental Activities 2006</u>	<u>Governmental Activities 2005</u>
<u>Disbursements</u>		
Instruction	\$ 6,543,756	\$ 6,161,819
Support Services:		
Pupils	506,324	518,836
Instructional Staff	573,292	548,847
Board of Education	48,565	73,666
Administration	892,818	748,953
Fiscal	306,467	288,606
Business	18,804	19,825
Operation and Maintenance of Plant	1,032,649	1,036,498
Pupil Transportation	1,125,764	1,077,149
Central	85,910	12,639
Non-Instructional	567,539	589,799
Extracurricular Activities	377,110	342,177
Capital Outlay	338,163	6,038,455
Debt Service Principal	630,500	561,564
Interest and Fiscal Charges	739,216	676,383
Refund of Prior Year Receipts		588
Total Disbursements	<u>13,786,877</u>	<u>18,695,804</u>
 Increase (Decrease) in Net Assets	 <u>\$ 522,391</u>	 <u>\$ (4,986,070)</u>

Program receipts account for 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, extracurricular activities, and food service sales.

The major program disbursements for governmental activities are for instruction, which accounts for 47 percent of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 16 percent of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 7 percent. Therefore, over 70 percent of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes, grants and entitlements.

Governmental Activities

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Table 3
Governmental Activities – Modified Cash Basis

	Total Cost of Services		Net Cost of Services	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Instruction	\$ 6,543,756	\$ 6,161,819	\$ 5,255,344	\$ 5,101,671
Support Services:				
Pupils	506,324	518,836	506,324	370,734
Instructional Staff	573,292	548,847	553,391	526,651
Board of Education	48,565	73,666	48,565	73,666
Administration	892,818	748,953	892,818	748,953
Fiscal	306,467	288,606	306,467	288,606
Business	18,804	19,825	18,804	19,825
Operation & Maintenance of Plant	1,032,649	1,036,498	1,024,922	1,029,185
Pupil Transportation	1,125,764	1,077,149	958,708	1,077,149
Central	85,910	12,639	68,710	(7,286)
Non-Instructional	567,539	589,799	(3,636)	31,419
Extracurricular Activities	377,110	342,177	180,021	179,399
Capital Outlay	338,163	6,038,455	259,149	5,706,533
Debt Service Principal	630,500	561,564	630,500	561,564
Interest and Fiscal Charges	739,216	676,383	739,216	676,383
Refund of Prior Year Receipts		588		588
Total Disbursements	<u>\$ 13,786,877</u>	<u>\$ 18,695,804</u>	<u>\$ 11,439,303</u>	<u>\$ 16,385,040</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 80 percent of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 84 percent.

The District's Funds

The District's governmental funds are accounted for using the modified cash basis of accounting. The District's major governmental funds were the General and Bond Retirement. Total governmental funds had receipts and other financing sources of \$14,522,320 and disbursements and other financing uses of \$13,999,929. The overall positive change of \$522,391 in fund balance for the year is primarily due to increased tax revenue.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$ 10,810,678, were below original budgeted revenues of \$10,960,678. This \$150,000 difference typifies spending that is under budget and is determined to be in line with the projected budget.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Final expenditures were budgeted at \$11,099,053 while actual expenditures were \$10,736,326. The \$362,727 difference is a result of spending less than what was budgeted. All amounts that showed the most significant difference with budgeted amounts were the cause of under spending. Budgets are also prepared conservatively, which results in budgeted revenues to exceed expenditures. Actual General Fund revenues were \$388,884 greater than expenditures due to increased taxes, an increase in enrollment and management of expenses.

Debt Administration

At June 30, 2006, the District has \$12,958,206 in general obligation and classroom facilities school improvement bonds for building improvements. There are three bond series with final maturities of December 1, 2022, 2024, and 2025. The bonds are retired from the bond retirement debt service fund.

At June 30, 2006 the District has \$130,000 of tax anticipation notes issued for building improvements. The final maturity is December 1, 2006. The notes are in anticipation of permanent improvement taxes. Payments are made from the bond retirement debt service fund after a transfer is made from the permanent improvement fund.

At June 30, 2006, the District has \$33,938 in HB 264 energy conservation bonds outstanding. The final maturity is December 1, 2006. The bonds are paid from the bond retirement debt service fund after a transfer is made from the permanent improvement fund.

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

Current Issues

Due to the passage of the additional income tax and increased enrollment, the Board was able to operate at full staffing levels for the 2005-2006 school year. Energy costs to operate the new facilities were initially underestimated. However, participation in the Ohio Schools Council Energy for Education program and the ability to more efficiently manage the heating and cooling systems have helped to control both electricity and natural gas costs.

In December 2006, the final payments will be made on the \$130,000 of tax anticipation notes and \$33,937 in energy conservation bonds the district reported as outstanding at June 30, 2006.

In October 2006 the Board sold the former Lyons Elementary School located in Lyons to Freddy Armstrong, who plans to demolish the building and develop the property.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or request for additional information should be directed to Denise Leu, Treasurer, Evergreen Local School District, 14544 County Road 6, Metamora, Ohio, 43540-9471.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
June 30, 2006**

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,769,830
Total Assets	<u>3,769,830</u>
NET ASSETS	
Restricted for Debt Service	1,079,509
Restricted for Capital Outlay	268,515
Restricted for Other Purposes	169,798
Unrestricted	<u>2,252,008</u>
Total Net Assets	<u><u>\$ 3,769,830</u></u>

See accompanying notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2006**

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Instruction:					
Regular	\$ 4,554,409	\$ 570,253	\$ 220,722		\$ (3,763,434)
Special	1,412,807	62,595	434,842		(915,370)
Vocational	107,337				(107,337)
Other	469,203				(469,203)
Support Services:					
Pupils	506,324				(506,324)
Instructional Staff	573,292		19,901		(553,391)
Board of Education	48,565				(48,565)
Administration	892,818				(892,818)
Fiscal	306,467				(306,467)
Business	18,804				(18,804)
Operation and Maintenance of Plant	1,032,649		7,727		(1,024,922)
Pupil Transportation	1,125,764		167,056		(958,708)
Central	85,910		17,200		(68,710)
Operation of Non-Instructional Services	567,539	355,528	215,647		3,636
Extracurricular Activities	377,110	197,089			(180,021)
Capital Outlay	338,163			\$ 79,014	(259,149)
Debt Service:					
Principal	630,500				(630,500)
Interest and Fiscal Charges	739,216				(739,216)
Totals	\$ 13,786,877	\$ 1,185,465	\$ 1,083,095	\$ 79,014	(11,439,303)
General Receipts					
Taxes:					
Income Taxes					
					1,817,885
Property and Other Local Taxes					
					4,588,268
Grants and Entitlements not Restricted to Specific Programs					
					5,286,554
Gifts and Donations					
					23,173
Investment Earnings					
					139,639
Miscellaneous					
					39,405
Other Receipts:					
Accrued interest received on debt issuance					
					4,563
Rent					
					13,265
Refund of Prior Year Expenditures					
					48,942
Total General Receipts					11,961,694
Change in Net Assets					522,391
Net Assets Beginning of Year					3,247,439
Net Assets End of Year					\$ 3,769,830

See accompanying notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
June 30, 2006**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 2,252,008	\$ 1,079,509	\$ 438,313	\$ 3,769,830
<i>Total Assets</i>	<u>\$ 2,252,008</u>	<u>\$ 1,079,509</u>	<u>\$ 438,313</u>	<u>\$ 3,769,830</u>
 FUND BALANCES:				
Reserved for Encumbrances	\$ 219,109		\$ 36,184	\$ 255,293
Unreserved, Undesignated, Reported in:				
General Fund	2,032,899			2,032,899
Special Revenue Funds			137,148	137,148
Debt Service Funds		\$ 1,079,509		1,079,509
Capital Projects Funds			264,981	264,981
<i>Total Fund Balances</i>	<u>\$ 2,252,008</u>	<u>\$ 1,079,509</u>	<u>\$ 438,313</u>	<u>\$ 3,769,830</u>

See accompanying notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN MODIFIED-CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Bond Retirement Fund	All Other Governmental Funds	Total Governmental Funds
RECEIPTS				
Property and Other Local Taxes	\$ 3,176,502	\$ 1,104,709	\$ 307,057	\$ 4,588,268
Income Tax	1,817,885			1,817,885
Intergovernmental	5,363,390	132,730	952,543	6,448,663
Interest	131,158		8,481	139,639
Tuition and Fees	632,848			632,848
Rent	13,265			13,265
Extracurricular Activities	13,505		183,584	197,089
Gifts and Donations	14,653		8,520	23,173
Customer Sales and Services			355,528	355,528
Miscellaneous	36,356			36,356
<i>Total Receipts</i>	<u>11,199,562</u>	<u>1,237,439</u>	<u>1,815,713</u>	<u>14,252,714</u>
DISBURSEMENTS				
Instruction:				
Regular	4,531,512		22,897	4,554,409
Special	860,816		551,991	1,412,807
Vocational	107,337			107,337
Other	469,203			469,203
Support Services:				
Pupils	497,157		9,167	506,324
Instructional Staff	563,448		9,844	573,292
Board of Education	48,565			48,565
Administration	796,072		96,746	892,818
Fiscal	278,390	21,973	6,104	306,467
Business	18,804			18,804
Operation and Maintenance of Plant	867,132		165,517	1,032,649
Pupil Transportation	1,125,764			1,125,764
Central	71,346		14,564	85,910
Operation of Non-Instructional Services			567,539	567,539
Extracurricular Activities	281,671		95,439	377,110
Capital Outlay			338,163	338,163
Debt Service				
Principal		630,500		630,500
Interest		739,216		739,216
<i>Total Disbursements</i>	<u>10,517,217</u>	<u>1,391,689</u>	<u>1,877,971</u>	<u>13,786,877</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	682,345	(154,250)	(62,258)	465,837
OTHER FINANCING SOURCES (USES)				
Transfers In	859	166,775	258	167,892
Proceeds from Sale of Capital Assets	1,932			1,932
Refund of Prior Year Expenditures	48,942			48,942
Advances In	38,593		7,684	46,277
Transfers Out			(166,775)	(166,775)
Advances Out	(7,684)		(38,593)	(46,277)
Accrued interest received on debt issuance		4,563		4,563
<i>Total Other Financing Sources (Uses)</i>	<u>82,642</u>	<u>171,338</u>	<u>(197,426)</u>	<u>56,554</u>
<i>Net Change in Fund Balances</i>	764,987	17,088	(259,684)	522,391
<i>Fund Balance at Beginning of Year</i>	1,487,021	1,062,421	697,997	3,247,439
<i>Fund Balance at End of Year</i>	<u>\$ 2,252,008</u>	<u>\$ 1,079,509</u>	<u>\$ 438,313</u>	<u>\$ 3,769,830</u>

See accompanying notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Property and Other Local Taxes	\$ 3,168,281	\$ 3,018,281	\$ 3,176,502	\$ 158,221
Income Tax	1,738,001	1,738,001	1,817,885	79,884
Intergovernmental	5,358,076	5,358,076	5,363,390	5,314
Interest	50,000	50,000	131,158	81,158
Tuition and Fees	603,320	603,320	632,848	29,528
Rent			13,265	13,265
Extracurricular Activities	14,700	14,700	13,505	(1,195)
Gifts and Donations	28,000	28,000	14,653	(13,347)
Miscellaneous	300	300	36,356	36,056
Total Revenues	10,960,678	10,810,678	11,199,562	388,884
EXPENDITURES				
Current:				
Instruction:				
Regular	4,796,205	4,707,617	4,590,207	117,410
Special	1,173,125	1,173,125	880,861	292,264
Vocational	132,835	134,935	111,058	23,877
Other	484,500	484,500	469,203	15,297
Support Services:				
Pupils	334,509	334,509	501,683	(167,174)
Instructional Staff	434,691	434,691	574,355	(139,664)
Board of Education	108,653	88,653	56,862	31,791
Administration	857,901	862,726	807,441	55,285
Fiscal	274,579	275,579	289,722	(14,143)
Business	21,000	21,000	19,804	1,196
Operation and Maintenance of Plant	1,025,250	1,024,399	927,762	96,637
Pupil Transportation	1,183,006	1,269,343	1,153,951	115,392
Central			71,746	(71,746)
Extracurricular Activities:				
Academic Oriented Activities	76,600	76,600	78,169	(1,569)
Sport Oriented Activities	202,556	202,556	196,502	6,054
School and Public Service Co-Curricular Activities	8,820	8,820	7,000	1,820
Total Expenditures	11,114,230	11,099,053	10,736,326	362,727
Excess of Revenues Over (Under) Expenditures	(153,552)	(288,375)	463,236	751,611
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Capital Assets			1,932	1,932
Refund of Prior Year Expenditures	8,000	8,000	48,942	40,942
Advances In			38,593	38,593
Transfers In			859	859
Transfers Out				
Advances Out		(7,684)	(7,684)	
Total Other Financing Sources (Uses)	8,000	316	82,642	82,326
Net Change in Cash Basis Fund Balances	(145,552)	(288,059)	545,878	833,937
Fund Balance at Beginning of Year	1,387,151	1,387,151	1,387,151	
Prior Year Encumbrances Appropriated	99,870	99,870	99,870	
Fund Balance at End of Year	\$ 1,341,469	\$ 1,198,962	\$ 2,032,899	\$ 833,937

See accompanying notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Private Purpose Trust	Agency
ASSETS		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 3,302	\$ 42,142
Total Assets	\$ 3,302	\$ 42,142
 NET ASSETS		
Restricted - expendable	3,302	
Unrestricted		42,142
Total net assets	\$ 3,302	\$ 42,142

See accompanying notes to the Basic Financial Statements.

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - MODIFIED
CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and contributions	\$ 1,000
Interest	<u>35</u>
Total additions	<u>1,035</u>
DEDUCTIONS:	
Payments in accordance with trust agreements	<u>2,000</u>
Total deductions	<u>2,000</u>
Changes in net assets	(965)
Net assets beginning of year	<u>4,267</u>
Net assets end of year	<u><u>\$ 3,302</u></u>

See accompanying notes to the Basic Financial Statements.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1967 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 130 square miles. It is located in Fulton and Lucas counties and includes the entire Villages of Berkey (Lucas County), Lyons and Metamora (Fulton County), all of Amboy, Chesterfield, and Royalton (Fulton County) and Richfield (Lucas County) townships, and portions of Fulton and Pike (Fulton County), and Harding, Spencer, and Sylvania (Lucas County) townships. The School District is the 267th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 55 classified employees, 78 certified teaching personnel, and 15 administrative employees who provide services to 1,309 students and other community members. The School District currently operates three buildings.

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

A. Primary Government

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

B. Joint Venture and Related Organizations

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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

B. Fund Accounting

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

Governmental

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

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

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

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

Fiduciary Funds

Fiduciary funds account for cash and investments where the District is acting as trustee or fiscal agent for other entities or individuals. Fiduciary funds include investment trust funds, private-purpose trust funds and agency funds. Trust funds account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for various student-managed activities.

C. Basis of Accounting

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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

D. Budgetary Process

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

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

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

E. Cash and Investments

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

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

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

During 2006, the School District invested in nonnegotiable certificates of deposit, a money market fund, and STAR Ohio. Investments are reported at cost, except for the money market fund and STAR Ohio. The School District's money market fund investment is recorded at amount reported by The State Bank & Trust at June 30, 2006. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2006 was \$131,158; interest in the OSFC Exceptional Need Construction Fund was \$7,966, and interest in the amount of \$515 was credited to other district funds.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Interfund Receivables/Payables

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

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-term Obligations

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

L. Net Assets

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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

M. Fund Balance Reserves

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

N. Inter-fund Transactions

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

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

NOTE 3 – COMPLIANCE

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

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

General Fund	\$ 219,109
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**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$2,901,728 of the School District's bank balance of \$3,093,698 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

B. Investments

As of June 30, 2006, the School District had the following investment:

	<u>Carrying Value</u>	<u>Maturity Less Than One Year</u>
STAR Ohio	\$ 739,976	\$ 739,976

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

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the Career Center. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Fulton and Lucas counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2006 taxes are based are as follows:

	2005 Second-Half Collections		2006 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 127,243,860	83.03%	\$ 133,420,950	84.16%
Industrial/Commercial	6,487,510	4.23%	7,009,060	4.40%
Public Utility Real Property	58,290	.04%	58,490	.04%
Public Utility Personal Property	12,933,200	8.44%	12,682,190	8.00%
General Personal Property	6,526,208	4.26%	5,358,775	3.40%
Total Assessed Value	\$ 153,249,068	100.00%	\$ 158,529,465	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 51.08		\$ 50.35	

NOTE 7 – INCOME TAXES

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

NOTE 8 – INTERFUND RECEIVABLE/PAYABLES

Unpaid interfund cash advance at June 30, 2006, was as follows:

<u>Interfund Payable</u> <i>Governmental Activities</i> Auxiliary Services	<u>Interfund Receivable General</u> \$ 7,684
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The interfund transactions between the general fund and Auxiliary Services Fund was to make repairs to the modular unit at Holy Trinity, and will be fully reimbursed by state funds upon completion of the repairs.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

The District maintains comprehensive insurance coverage through Northwest Ohio Educational Council Self Insurance Pool, an insurance purchasing pool (Note 18), 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.

General Liability:		
Per Occurrence	\$	1,000,000
Total per Year		3,000,000
Coverage provided by Northwest Ohio Educational Council Blanket Property Insurance (\$1,000 deductible)		46,426,981
Coverage provided by Northwest Ohio Educational Council		
Auto Coverage		
Liability		1,000,000
Auto Medical Payment		5,000

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

B. Workers' Compensation

For fiscal year 2006, the School District participated in the Northern Buckeye Education Council's Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

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

C. Employee Medical Benefit

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees which include health, dental, 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

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

A DBP or CP member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004, was \$687,736, \$605,656, and \$600,200, respectively. The full amount has been contributed for fiscal years 2006, 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$740,639 made by the School District and \$444,383 made by plan members.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 10 – DEFINED BENEFIT PENSION PLANS – (CONTINUED)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, was \$239,480, \$210,922, and \$202,299, respectively. The full amount has been contributed for fiscal years 2006, 2005 and 2004.

C. Social Security System

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

NOTE 11 – POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$52,903.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (latest information available). For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$254,780,000, and STRS had approximately 115,000 eligible benefit recipients (latest information available).

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 11 – POST-EMPLOYMENT BENEFITS

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

After the allocation for basic benefits, the remainder of the employer’s 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006 employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 Percent of each employer’s SERS salaries. For the 2006 fiscal year, School District paid \$79,853 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2005, were \$178,221,113 (latest information available). At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million (latest information available). SERS has 58,123 participants currently receiving health care benefits.

NOTE 12 – NOTES PAYABLE AND LONG TERM DEBT

The changes in the School District’s notes payable during fiscal year 2006 were as follows:

	Outstanding 6/30/05	Additions	Deletions	Outstanding 6/30/06
Tax Anticipation Notes	\$ 255,000	\$	\$ 125,000	\$ 130,000

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

Changes in long-term obligations of the School District during fiscal year 2006 were as follows:

	Outstanding 6/30/05	Additions	Deletions	Outstanding 6/30/06
General Obligation Bonds				
1999 School Improvement	\$ 11,386,209		\$ 9,675,000	\$ 1,711,209
2002 Classroom Facilities	2,041,997		80,000	1,961,997
2005 Unlimited Tax Refund		\$ 9,350,000	65,000	9,285,000
	13,428,206	9,350,000	9,820,000	12,958,206
HR 264 Energy Bond	69,438		35,500	33,938
	\$ 13,497,644	\$ 9,350,000	\$ 9,855,500	\$ 12,992,144

The HR 264 Energy Conservation Bonds have interest rates at June 30, 2006 of 6.15 percent. The Energy conservation bonds were issued in 1993, 1994, and 1996 and will mature in December 2006.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

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

On May 4, 1999, a bond issue for the purpose of renovating, rehabilitating, adding to, constructing, furnishing, equipping and otherwise improving school facilities acquiring and improving their sites was passed. Series 1999 School Improvement Bonds were issued September 8, 1999 for \$11,999,954 with interest rates ranging from 3.75 to 5.625 percent. The bond issue included serial, term, and capital appreciation bonds. Current interest serial bonds mature annually from 2000 through 2014. Current interest term bonds mature in 2019 and 2024. Capital appreciation bonds mature in 2006, 2007, and 2008. The maturity amount of the capital appreciation bonds is \$1,275,000. On July 26, 2005, \$9,350,000 face value of the bonds were refunded through the issuance of new bonds.

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

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

Total expenditures for interest for the above debt for the period ended June 30, 2006, was \$739,216.

The scheduled payments of principal and interest on debt outstanding at June 30, 2006, are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2007	\$ 722,215	\$ 521,974	\$ 1,244,189
2008	399,989	673,472	1,073,461
2009	184,942	890,351	1,075,293
2010	610,000	466,830	1,076,830
2011	635,000	439,505	1,074,505
Thereafter	<u>10,569,998</u>	<u>4,424,141</u>	<u>14,994,139</u>
Total	<u>\$ 13,122,144</u>	<u>\$ 7,416,273</u>	<u>\$ 20,538,417</u>

NOTE 13 – SET ASIDE REQUIREMENTS

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

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 THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 13 – SET ASIDE REQUIREMENTS – (CONTINUED)

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside Cash Balance, June 30, 2005	\$ (160,542)	\$
Current Year Set-Aside Requirement	182,890	182,890
Current Year Offsets		(149,625)
Qualifying Disbursements	<u>(205,365)</u>	<u>(33,265)</u>
Cash Balance Carried Forward to FY 2006	<u>\$ (183,017)</u>	<u>\$</u>

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

NOTE 14 – INTERFUND TRANSFERS

Interfund cash transfers for the year ended June 30, 2006, were as follows:

<u>Transfer From</u>	<u>Debt Service</u>	<u>Special Revenue</u>	<u>General</u>	<u>Total</u>
Governmental Activities				
Agency Fund	\$	\$ 258	\$ 859	\$ 1,117
Permanent Improvement	<u>166,775</u>	<u></u>	<u></u>	<u>166,775</u>
Total	<u>\$ 166,775</u>	<u>\$ 258</u>	<u>\$ 859</u>	<u>\$ 167,892</u>

Transfers from the permanent improvement fund to the debt service fund were to make payments on energy conservation bonds and tax anticipation notes. The transfers from the Agency Funds to the Special Revenue Funds were to close out inactive student activity funds at the Middle School into the Middle School – General Activity Fund. The transfer from the Agency Fund to the General Fund was to close out the Twigs Science Camp Fund.

NOTE 15 – CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2006.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

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

B. Northern Buckeye Education Council

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

C. Four County Career Center

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

NOTE 17 – PUBLIC ENTITY RISK POOLS

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

The Northern Buckeye Education Council's Employee Insurance Benefits Program included health, dental, drug, and life insurance plans. The health, drug, vision, and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 17 – PUBLIC ENTITY RISK POOLS – (CONTINUED)

In fiscal year 2006, the Evergreen Local School District contributed a total for all four plans \$1,302,776. Financial information can be obtained from Robin Pfund, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

The School District participates in a group rating plan for workers' compensation as established under section §4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Worker's Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Educational Council (NBEC) as a group purchasing pool. The Plan is governed by the NBEC and plan participants. The Executive Director of the Council coordinates the management and administration of the program. Each year, the participating/members pay an enrollment fee to the WCGRP to cover the costs of administering the program. During the fiscal year ending June 30, 2006, the School District paid an enrollment fee of \$976 to WCGRP to cover costs of administering the program.

C. Northwest Ohio Educational Council Self Insurance Pool

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

NOTE 18 – RELATED ORGANIZATIONS

A. Non-public School

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

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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2006
(Continued)**

NOTE 19 – OHIO SCHOOL FACILITIES COMMISSION

In fiscal year 2002, the School District was approved for a grant from the Ohio School Facilities Commission for a \$14,447,639 building construction and renovation project. The project was financed by an \$11,765,639 grant from the Ohio School Facilities Commission. The local share was \$2,682,000 and was financed through issuance of bonds in the amount of \$2,182,000 and \$500,000 through a tax anticipation note against future proceeds of the permanent improvement levy. The bond issue is paid from the proceeds of a 1.15 mill tax levy approved by the voters of the District on May 7, 2002. The project was completed in fiscal year 2005; however, the final grants under the program were received in 2006.

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District (the District), Fulton County, Ohio as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2007, wherein, we noted the District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government *Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 31, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001.

We intend this report solely for the information and use of Management, and the Board of Education. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

January 31, 2007

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2006

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

FINDING NUMBER 2006-001

Noncompliance Citation

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

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

Official's Response

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

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	OAC §117-2-3(B) reporting on basis other than generally accepted accounting principles.	No	Finding has not been corrected and is repeated in this report as item 2006-001.



Mary Taylor, CPA
Auditor of State

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2007