



Dave Yost • Auditor of State

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Assets – Cash Basis	9
Statement of Activities – Cash Basis	10
Fund Financial Statements:	
Statement of Assets and Fund Balances – Cash Basis - Governmental Funds	11
Statement of Receipts, Disbursements, and Changes in Fund Balances – Cash Basis - Governmental Funds	12
Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Basis) and Actual – General Fund	13
Statement of Fiduciary Net Assets – Cash Basis – Fiduciary Funds.....	14
Statement of Changes in Fiduciary Net Assets – Cash Basis – Fiduciary Fund	15
Notes to the Basic Financial Statements	17
Federal Awards Receipts and Expenditures Schedule.....	39
Notes to Federal Awards Receipts and Expenditures Schedule	40
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Governmental Auditing Standards</i>	41
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	43
Schedule of Findings	45
Corrective Action Plan	49
Schedule of Prior Audit Findings	51

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated February 15, 2013, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets and governmental activities. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

February 15, 2013

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The discussion and analysis of the Evergreen Local School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets decreased by \$176,830.
- General receipts accounted for \$14,614,889, or 87% of all receipts, and reflect the School 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 \$2,252,445 or 13% of total receipts of \$16,867,334.
- The School District's major funds included are the general fund and debt service fund.
- The general fund had \$12,276,029 in receipts and other financing sources and \$12,133,690 in disbursements and other financing uses. The general fund's fund balance increased \$142,339 from the prior fiscal year.
- The debt service fund repays debt related to school improvements bonds for the new high school, renovation of the middle school and construction of a new elementary school. The debt service fund had \$3,094,916 in receipts and other financing sources and \$2,918,507 in disbursements. The bond retirement fund's fund balance increased \$176,409 from the prior fiscal year.
- The School District issued \$1,525,000 in general obligation bonds which were used to refund bonds previously issued in 2002. It is anticipated this will save \$92,472 in total debt service payments over the life of the debt issue.

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 School District as a financial whole, or as an entire operating entity.

The statement of net assets—cash basis and the statement of activities—cash basis provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds, with all other non-major funds presented in total in a single column. For the School District, the general fund and the debt service fund are the most significant funds.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets—cash basis and the statement of activities—cash basis reflect how the School District did financially during fiscal year 2012. These statements are reported on the cash basis of accounting which reflects receipts and disbursements when cash is received or paid.

These statements report the School 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 School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets—cash basis and the statement of activities—cash basis, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds – Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund statements provide a detailed short term view of the School 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 School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the cash basis of accounting.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to fiscal year 2011.

Table 1
Net Assets—Cash Basis
Governmental Activities

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets	\$ 7,379,438	\$ 7,556,268
 <u>Net Assets</u>		
Restricted	\$ 2,558,327	\$ 2,742,518
Unrestricted	4,821,111	4,813,750
Total	<u>\$ 7,379,438</u>	<u>\$ 7,556,268</u>

Total assets decreased \$176,830 mainly due to the loss of one-time ARRA funding.

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

Table 2
Changes in Net Assets—Cash Basis
Governmental Activities

<u>Receipts</u>	<u>Governmental Activities 2012</u>	<u>Governmental Activities 2011</u>
Program Receipts:		
Charges for Services and Sales	\$ 1,226,839	\$ 1,236,825
Operating Grants	975,256	1,033,384
Capital Grants	<u>50,350</u>	<u>56,953</u>
Total Program Receipts	2,252,445	2,327,162
General Receipts:		
Property and Income Taxes	7,437,475	7,132,771
Grants and Entitlements	5,431,612	6,086,300
Bonds Proceeds	1,525,000	
Premium on Sale of Bonds	94,519	
Interest	27,808	44,902
Miscellaneous	<u>98,475</u>	<u>1,325,152</u>
Total General Receipts	<u>14,614,889</u>	<u>14,589,125</u>
 Total Revenues	 <u>16,867,334</u>	 <u>16,916,287</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Disbursements</u>		
Instruction	\$ 7,295,575	\$ 7,292,588
Support Services:		
Pupils	887,640	659,232
Instructional Staff	672,781	915,443
Board of Education	37,135	52,851
Administration	969,197	993,221
Fiscal	376,064	371,397
Business	18,000	18,000
Operation and Maintenance of Plant	1,161,794	1,121,533
Pupil Transportation	1,119,302	1,149,909
Central	95,702	94,740
Non-Instructional	658,987	614,190
Extracurricular Activities	439,821	472,570
Capital Outlay	420,166	805,668
Debt Service Principal	819,674	788,925
Interest and Fiscal Charges	455,521	473,648
Advance Refunding Escrow	1,589,040	
Issuance Costs	<u>27,765</u>	<u>25,000</u>
Total Disbursements	<u>17,044,164</u>	<u>15,848,915</u>
Increase (Decrease) in Net Assets	<u>\$ (176,830)</u>	<u>\$1,067,372</u>

Program receipts account for 13% 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 43% of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 16% of governmental disbursements. Maintenance of the School District's facilities also represents a significant disbursement of 7%. Therefore, 66% of the School District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes, grants and entitlements.

Governmental Activities

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

Table 3
Governmental Activities—Cash Basis

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
Instruction	\$ 7,295,575	\$ 7,292,588	\$ 5,928,022	\$ 5,859,543
Support Services:				
Pupils	887,640	659,232	887,640	659,232
Instructional Staff	672,781	915,443	650,991	893,546
Board of Education	37,135	52,851	37,135	52,851
Administration	969,197	993,221	969,197	993,221
Fiscal	376,064	371,397	376,064	371,397
Business	18,000	18,000	18,000	18,000
Operation & Maintenance of Plant	1,161,794	1,121,533	1,149,569	1,108,488
Pupil Transportation	1,119,302	1,149,909	1,119,302	1,149,909
Central	95,702	94,740	90,302	52,513
Non-Instructional	658,987	614,190	12,191	(12,045)
Extracurricular Activities	439,821	472,570	291,490	338,810
Capital Outlay	420,166	805,668	369,816	748,715
Debt Service Principal	819,674	788,925	819,674	788,925
Interest and Fiscal Charges	455,521	473,648	455,521	473,648
Payment to Escrow Account	1,589,040		1,589,040	
Bond Issuance Costs	<u>27,765</u>	<u>25,000</u>	<u>27,765</u>	<u>25,000</u>
Total Disbursements	<u>\$17,044,164</u>	<u>\$15,848,915</u>	<u>\$14,791,719</u>	<u>\$13,521,753</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 81.3% of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 86.8 %. The community, as a whole, provides a significant support for the School District's students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The School District's major governmental funds were the general and debt service funds. Total governmental funds had receipts of \$15,192,931, disbursements of \$17,044,164, and net other financing sources and uses of \$1,674,403. The overall negative change of \$176,830 in fund balance for the year is primarily due to the loss of one-time ARRA funding.

General Fund Budgeting Highlights

The School 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 2012, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$11,702,043 were unchanged from original budgeted revenues.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

General Fund Budgeting Highlights (Continued)

Final expenditures were budgeted at \$12,443,685 while actual expenditures and other financing uses were \$12,254,217. The \$189,468 difference is a result of conservative budget approval. All amounts that showed the most significant difference with budgeted amounts were the cause of under spending. Budgets are also prepared conservatively, which results in budgeted revenues to exceed expenditures. Actual General Fund revenues were \$49,894 less than expenditures due to management of expenses.

Debt Administration

At June 30, 2012 the School District has \$11,079,998 in general obligation and classroom facilities school improvement bonds for building improvements. There are three bond series with final maturities of December 1, 2024 and 2025. The bonds are retired from the debt service debt service fund.

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

Current Issues

While initially projecting deficit spending in FY12, Evergreen Local School School District ended FY12 in the black due to a combination of better than anticipated revenues and lower than anticipated expenditures. Real estate taxes increased somewhat, however, income taxes rebounded significantly better than projected. State foundation funding which had been conservatively budgeted also came in higher than expected. A great deal of uncertainty currently exists regarding continued growth of the economy and the future of state funding to schools, both of which could be heavily influenced by the outcome of the November 2012 elections. As state funding to schools has declined over the past number of years, the School District has become increasingly reliant on local tax revenue, such as the new .5%, five-year income tax issue Evergreen voters passed in March 2012. Real estate and income taxes alone now comprise nearly 50% of the School District's general fund revenue. The School District has already implemented a series of significant cost reduction measures over the past few years, and completed a HB246 energy conservation project in an attempt to control costs. These measures have allowed the School District to maintain a healthy cash balance, however; even so, deficit spending is still projected beginning in FY13, making it essential for the School District to be able to pass a .75% income tax renewal in 2014.

Contacting the School District's Financial Management

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

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

	Governmental Activities
ASSETS:	
Equity in Pooled Cash and Cash Equivalents	<u>\$7,379,438</u>
Total Assets	<u><u>\$7,379,438</u></u>
NET ASSETS:	
Restricted for Debt Service	\$1,998,338
Restricted for Capital Outlay	215,021
Restricted for Other Purposes	344,968
Unrestricted	<u>4,821,111</u>
Total Net Assets	<u><u>\$7,379,438</u></u>

See Accompanying Notes to the Basic Financial Statements

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	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	\$5,170,402	\$616,456	\$189,350		(\$4,364,596)
Special	1,422,753	136,463	425,284		(861,006)
Vocational	119,941				(119,941)
Other	582,479				(582,479)
Support Services:					
Pupils	887,640				(887,640)
Instructional Staff	672,781		21,790		(650,991)
Board of Education	37,135				(37,135)
Administration	969,197				(969,197)
Fiscal	376,064				(376,064)
Business	18,000				(18,000)
Operation and Maintenance of Plant	1,161,794		12,225		(1,149,569)
Pupil Transportation	1,119,302				(1,119,302)
Central	95,702		5,400		(90,302)
Operation of Non-Instructional Services	658,987	325,589	321,207		(12,191)
Extracurricular Activities	439,821	148,331			(291,490)
Capital Outlay	420,166			\$50,350	(369,816)
Debt Service:					
Principal	819,674				(819,674)
Interest and Fiscal Charges	455,521				(455,521)
Payment to Escrow Account	1,589,040				(1,589,040)
Bond Issuance Cost	27,765				(27,765)
Totals	\$17,044,164	\$1,226,839	\$975,256	\$50,350	(14,791,719)
General Receipts					
Taxes					
Income Taxes					
Income Taxes					
Property and Other Local Taxes					
Grants and Entitlements not Restricted to Specific Programs					
Bonds Proceeds					
Premium on Sale of Bonds					
Gifts and Donations					
Investment Earnings					
Miscellaneous					
Refund of Prior Year Expenditures					
Total General Receipts					
Change in Net Assets					
Net Assets Beginning of Year					
Net Assets End of Year					

See Accompanying Notes to the Basic Financial Statements

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Current Assets				
Equity in Pooled Cash and Cash Equivalents	\$4,996,000	\$1,998,338	\$385,100	\$7,379,438
FUND BALANCES:				
Restricted	\$31,264	\$1,998,338	\$385,100	\$2,414,702
Committed	11,000			11,000
Assigned	333,185			333,185
Unassigned	4,620,551			4,620,551
Total Fund Balances	\$4,996,000	\$1,998,338	\$385,100	\$7,379,438

See Accompanying Notes to the Basic Financial Statements

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS:				
Property and Other Local Taxes	\$3,466,369	\$1,086,533	\$303,319	\$4,856,221
Income Tax	2,581,254			2,581,254
Intergovernmental	5,263,398	164,284	1,029,536	6,457,218
Interest	27,584		224	27,808
Tuition and Fees	752,919			752,919
Rent	9,425			9,425
Extracurricular Activities	56,692		91,639	148,331
Gifts and Donations	7,160		749	7,909
Customer Sales and Services	32,204		316,163	348,367
Miscellaneous			3,479	3,479
Total Revenues	<u>12,197,005</u>	<u>1,250,817</u>	<u>1,745,109</u>	<u>15,192,931</u>
DISBURSEMENTS:				
Instruction				
Regular	5,154,481		15,921	5,170,402
Special	1,048,764		373,989	1,422,753
Vocational	119,941			119,941
Other	582,479			582,479
Support Services				
Pupils	663,274		224,366	887,640
Instructional Staff	672,781			672,781
Board of Education	37,135			37,135
Administration	969,197			969,197
Fiscal	342,159	26,507	7,398	376,064
Business	18,000			18,000
Operation and Maintenance of Plant	928,286		233,508	1,161,794
Pupil Transportation	1,113,807		5,495	1,119,302
Central	88,297		7,405	95,702
Operation of Non-Instructional Services	363		658,624	658,987
Extracurricular Activities	337,347		102,474	439,821
Capital Outlay			420,166	420,166
Debt Service				
Principal		819,674		819,674
Interest		455,521		455,521
Payment to Escrow Account		1,589,040		1,589,040
Bond Issuance Cost		27,765		27,765
Total Expenditures	<u>12,076,311</u>	<u>2,918,507</u>	<u>2,049,346</u>	<u>17,044,164</u>
Excess of Receipts Over (Under) Disbursements	<u>120,694</u>	<u>(1,667,690)</u>	<u>(304,237)</u>	<u>(1,851,233)</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	1,438			1,438
Refund of Prior Year Expenditures	53,446			53,446
Proceeds from Bonds		1,525,000		1,525,000
Premium on the Sale of Bonds		94,519		94,519
Transfers In		224,580	5,050	229,630
Advances In	24,140		52,329	76,469
Transfers Out	(5,050)		(224,580)	(229,630)
Advances Out	(52,329)		(24,140)	(76,469)
Total Other Financing Sources and Uses	<u>21,645</u>	<u>1,844,099</u>	<u>(191,341)</u>	<u>1,674,403</u>
Net Change in Fund Balances	142,339	176,409	(495,578)	(176,830)
Fund Balance at Beginning of Year	4,853,661	1,821,929	880,678	7,556,268
Fund Balance at End of Year	<u>\$4,996,000</u>	<u>\$1,998,338</u>	<u>\$385,100</u>	<u>\$7,379,438</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 FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES:				
Property and Other Local Taxes	\$3,403,457	\$3,403,457	\$3,466,369	\$62,912
Income Tax	2,400,684	2,400,684	2,581,254	180,570
Intergovernmental	5,061,502	5,061,502	5,263,398	201,896
Interest	40,000	40,000	27,584	(12,416)
Tuition and Fees	737,900	737,900	752,919	15,019
Rent	5,000	5,000	9,425	4,425
Extracurricular Activities	9,800	9,800	6,632	(3,168)
Gifts and Donations	1,200	1,200	7,160	5,960
Miscellaneous	7,000	7,000	32,204	25,204
Total Revenues	<u>11,666,543</u>	<u>11,666,543</u>	<u>12,146,945</u>	<u>480,402</u>
EXPENDITURES:				
Current:				
Instruction				
Regular	5,289,580	5,329,580	5,264,170	65,410
Special	1,005,870	1,005,870	1,050,076	(44,206)
Vocational	127,548	127,548	137,948	(10,400)
Other	633,582	633,582	582,479	51,103
Support Services:				
Pupils	614,931	614,931	663,479	(48,548)
Instructional Staff	694,101	694,101	674,056	20,045
Board of Education	44,788	44,788	37,666	7,122
Administration	967,256	967,256	919,074	48,182
Fiscal	341,696	341,696	343,708	(2,012)
Business	18,540	18,540	18,000	540
Operation and Maintenance of Plant	956,446	976,946	948,112	28,834
Pupil Transportation	1,139,555	1,144,055	1,130,012	14,043
Central	105,000	105,000	89,072	15,928
Food Service Operations	64,651	64,651	363	64,288
Extracurricular Activities:				
Academic Oriented Activities	96,386	96,386	101,471	(5,085)
Occupation Oriented Activities	7,406	7,406	7,464	(58)
Sport Oriented Activities	200,679	200,679	218,631	(17,952)
School and Public Service Co-Curricular	13,291	13,291	11,057	2,234
Total Expenditures	<u>12,321,306</u>	<u>12,386,306</u>	<u>12,196,838</u>	<u>189,468</u>
Excess of Expenditures over Revenues	<u>(654,763)</u>	<u>(719,763)</u>	<u>(49,893)</u>	<u>669,870</u>
OTHER FINANCING SOURCES AND USES:				
Proceeds from Sale of Capital Assets	500	500	1,438	938
Refund of Prior Year Expenditures	35,000	35,000	53,446	18,446
Advances In			24,140	24,140
Transfers Out		(5,050)	(5,050)	
Advances Out		(52,329)	(52,329)	
Total Other Financing Sources and Uses	<u>35,500</u>	<u>(21,879)</u>	<u>21,645</u>	<u>43,524</u>
Net Change in Fund Balance	<u>(619,263)</u>	<u>(741,642)</u>	<u>(28,248)</u>	<u>713,394</u>
Fund Balance at Beginning of Year	4,727,715	4,727,715	4,727,715	
Prior Year Encumbrances Appropriated	86,034	86,034	86,034	
Fund Balance at End of Year	<u>\$4,194,486</u>	<u>\$4,072,107</u>	<u>\$4,785,501</u>	<u>\$713,394</u>

See Accompanying Notes to the Basic Financial Statements

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012

	<u>Private Purpose Trust</u>	<u>Agency</u>
ASSETS:		
Current Assets		
Equity in Pooled Cash and Cash Equivalents	\$32,592	\$28,461
	<u> </u>	<u> </u>
NET ASSETS:		
Restricted - expendable	\$32,592	
Unrestricted		\$28,461
	<u> </u>	<u> </u>
Total net assets	\$32,592	\$28,461
	<u> </u>	<u> </u>

See Accompanying Notes to the Basic Financial Statements

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Private Purpose Trust</u>
ADDITIONS:	
Gifts and contributions	\$1,500
Interest	14
Total additions	<u>1,514</u>
DEDUCTIONS:	
Payments in accordance with trust agreements	<u>1,000</u>
Changes in net assets	514
Net assets beginning of year	<u>32,078</u>
Net assets end of year	<u><u>\$32,592</u></u>

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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 222nd largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 56 classified, 80 certified teaching personnel, and 15 administrative employees who provide services to 1,319 students and other community members. The School District currently operates three buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Evergreen Local School District.

The School District participates in jointly governed organizations, insurance pools, and is associated with related organizations. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Educational Regional Service System, the Northern Buckeye Health Plan/OHI, the Ohio School Plan, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Health Plan's Workers' Compensation Group Rating Plan, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the 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
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. 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.

These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

Fund Financial Statements

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

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 divided into two categories, governmental and fiduciary.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Debt Service Fund.

General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported 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.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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

Fiduciary Funds

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACOUNTING POLICIES (CONTINUED)

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 2012, the School District invested in nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at cost except for STAR Ohio. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2012.

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 2012 was \$27,584; which includes \$7,878 assigned from other funds. Interest in the amount of \$224 was credited to other district funds.

F. Inventory and Prepaid Items

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

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

K. Long-term Obligations

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

L. Net Assets

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

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the School District Board of Education.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Inter-fund Transactions

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

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

NOTE 3 – COMPLIANCE

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance at June 30, 2012 for the major governmental funds and all other governmental funds are presented as follows:

<u>Fund Balances</u>	<u>General</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Debt payment		\$1,998,338		\$1,998,338
Food service operations			\$78,679	78,679
Miscellaneous grants			4,011	4,011
Title I			403	403
District managed activity			13,203	13,203
Title II – A teacher			30	30
Capital improvements			187,957	187,957
Energy conservation			100,075	100,075
School bus	\$31,264			31,264
Vision service			742	742
Total restricted	31,264	1,998,338	385,100	2,414,702
Committed to:				
Storage tank	11,000			11,000
Total committed	11,000			11,000
Assigned to:				
Track/stadium	133,688			133,688
Unpaid obligations	174,889			174,889
Other purposes	24,608			24,608
Total assigned	333,185			333,185
Unassigned	4,620,551			4,620,551
Total fund balances	<u>\$ 4,996,000</u>	<u>\$1,998,338</u>	<u>\$ 385,100</u>	<u>\$ 7,379,438</u>

NOTE 5 – 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 (Non-GAAP Basis) and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than a reservation of fund balance (cash basis).

The following table summarizes the adjustments necessary to reconcile to cash basis statements to the budget basis statements for the General Fund:

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (CONTINUED)

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
Cash basis (as reported)	\$ 142,339
Outstanding encumbrances	(174,889)
Perspective difference:	
Activity of funds reclassified for Cash reporting purposes	<u>4,302</u>
Budgetary basis	<u>\$ (28,248)</u>

NOTE 6 – 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:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

6. 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 through eligible institutions;
7. The State Treasurer’s investment pool (STAR Ohio); and
8. Bankers’ acceptances and commercial paper if training requirements have been met.

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$1,358,521 of the School District’s bank balance of \$7,072,676 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money have been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial credit 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, 2012, the School District had the following investment:

	Fair Value	Maturity Less Than One Year
STAR Ohio	\$ 418,919	\$ 418,919

Credit Risk – 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.

Interest Rate Risk – The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least two percent and be marked to market daily.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 7 – 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 and public utility property located in the School District. Real and public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes for 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 become a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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, 2012, are available to finance fiscal year 2011 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 2012 taxes are based are as follows:

	<u>2011 Second-Half Collections</u>		<u>2012 First-Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential	\$ 158,316,100	88.44%	\$ 166,562,830	89.25%
Industrial/Commercial	7,855,710	4.39%	7,139,280	3.83%
Public Utility Real Property	34,930	0.02%	34,650	0.02%
Public Utility Personal Property	<u>12,799,980</u>	<u>7.15%</u>	<u>12,879,530</u>	<u>6.90%</u>
Total Assessed Value	<u>\$ 179,006,720</u>	100.00%	<u>\$ 186,616,290</u>	100.00%
Tax rate per \$1,000 of assessed valuation	\$ 49.65		\$ 49.65	

NOTE 8 – INCOME TAXES

The School District levies a voted tax of ¾ 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 ¾ percent income tax was passed by voters in 2004, effective beginning 2005 for five years, for general operations. The additional ¾ percent income tax was renewed by voters in 2009, effective beginning 2010 for five years. 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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 – RISK MANAGEMENT

A. Property and Liability

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

Coverage provided by the Ohio School Plan		
General Liability:		
Per Occurrence	\$	3,000,000
Total per Year	\$	5,000,000
Coverage provided by the Ohio School Plan		
Blanket Property Insurance (\$1,000 deductible)	\$	52,152,186
Coverage provided by the Ohio School Plan		
Auto Coverage		
Liability	\$	3,000,000
Auto Medical Payment	\$	5,000

Under the Plan, each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on types and limits of coverage from the prior fiscal year.

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

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and perform its obligations in accordance with the terms of the agreement.

Effective January 1, 2012 the WCGRP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP plan is an insurance purchasing pool. The plan is governed by the Northern Buckeye Health Plan and the participating members of the plan. The Executive Director of the NBHP coordinates the management and administration of the program.

C. Employee Medical Benefit

Effective January 1, 2012, the Employee Insurance Benefits Consortium was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI) to form the Northern Buckeye Health Plan (NBHP), Northwest Division of OH, Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium. The District pays monthly premiums to NBHP for the benefits

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

offered to its employees, which includes health, dental, and life insurance. NBHP is responsible for the management and operations of the program. The agreement with NBHP provides for additional assessment to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from NBHP, a participant is responsible for any claims not processed and paid and any related administrative costs.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio 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, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit Plan (DB), a Defined Contribution Plan (DC), and a Combined Plan. The DB plan 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 DC allows members to place all of their member contributions and employer contributions equal to 10.5% 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. A member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined plan offers features of both the DB plan and DC 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. The DB portion of the Combined plan payment is payable to a member on or after age sixty; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined plan 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 DC plan who become disabled are entitled only to their account balance. If a member of the DC plan 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, 2012, plan members were required to contribute 10% of their annual covered salary and the School District was required to contribute 14%; 13% 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% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations for the fiscal years ended June 30, 2012, 2011, and 2010 was \$795,724, \$793,421, and \$754,334, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010. Contributions of \$550,886 were made by plan members for the fiscal year ended June 30, 2012.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(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 visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

For the fiscal year ended June 30, 2012, plan members are required to contribute 10% of their annual covered salary and the School District is required to contribute at 14% of annual covered payroll. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust fund, Death Benefit fund, Medicare B fund, and Health Care fund). For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70 %. The remaining 1.30 % of the 14% employer contribution rate is allocated to the Medicare B and Health Care funds. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10% for plan members and 14% for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2012, 2011, and 2010 was \$282,851, \$330,123, and \$306,321, respectively. The full amount has been contributed for fiscal years 2012, 2011 and 2010.

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% of wages paid.

NOTE 11 – POST EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Ohio Law authorizes STRS Ohio to offer a cost-sharing, multiple-employer defined health benefit plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll free 1-888-227-7877.

Pursuant to Chapter 3307 of the Ohio Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care cost will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2012, 2011, and 2010. The 14% employer contribution rate is the maximum rate established under Ohio law.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 – POST EMPLOYMENT BENEFITS (CONTINUED)

The School District required contributions for post-employment health care were \$61,210, \$61,032 and \$58,026, respectively. The full amount has been contributed for fiscal year 2012, 2011 and 2010.

B. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administer two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was .75 %. The District's contributions for the years ended June 30, 2012, 2011 and 2010 were \$16,704, \$17,921 and \$16,628, respectively which equaled the required contributions for each year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans for various vendors, including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutory required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2012, the health care allocation was .55 %. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provided that no employee shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2012, 2011 and 2010 were \$36,733, \$59,708 and \$36,550, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 11 – POST EMPLOYMENT BENEFITS (CONTINUED)

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 12 – NOTES PAYABLE AND LONG TERM DEBT

The changes in the School District's notes payable during fiscal year 2012 were as follows:

	Outstanding 6/30/11	Additions	Deletions	Outstanding 6/30/12
Tax Anticipation Notes	\$ 62,159	\$ _____	\$ 62,159	\$ _____

Tax anticipation notes totaling \$567,797 were issued February 28, 2007 and mature annually through December 2012. These notes have an interest rate of 4.68%.

Changes in long-term obligations of the School District during fiscal year 2012 were as follows:

	Outstanding 6/30/11	Additions	Deletions	Outstanding 6/30/12	Due Within 1 Year
General Obligation Bonds					
1999 School Improvement	\$ 85,000		\$ 85,000		
2002 Classroom Facilities	1,700,000		1,610,000	\$ 90,000	\$ 90,000
2005 Unlimited Tax Refund	8,784,998		490,000	8,294,998	600,000
2006 School Improvement	17,515		17,515		
2010 Energy Conservation	1,250,000		80,000	1,170,000	85,000
2012 Classroom Facilities		\$ 1,525,000		1,525,000	5,000
	<u>\$ 11,837,513</u>	<u>\$ 1,525,000</u>	<u>\$ 2,282,515</u>	<u>\$ 11,079,998</u>	<u>\$ 780,000</u>

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 matured 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. The remaining bonds matured December 1, 2011.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

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

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 matured in 2006, 2007, and 2008. The maturity amount of the capital appreciation bonds is \$240,000. On January 5, 2012, the remaining \$1,525,000 face value of the bonds were refunded through the issuance of new bonds. The refunding bonds have interest rates from 3.55% to 4.6% and mature on December 1, 2025. Total debt service payments were reduced by \$92,472 and a net present value savings of \$78,006. Contrary to Ohio law, this transaction was not recorded in the District's financial records or its financial statements.

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 \$530,000.

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

On November 2, 2010, a bond issue for the purpose of facilities improvements was made. The new issue has an interest rate of 5.21%. The bond issue included term bonds which mature December 1, 2025.

Total expenditures for interest for the above debt for the period ended June 30, 2012 was \$455,521.

The scheduled payments of principal and interest on debt outstanding at June 30, 2012 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2013	\$ 780,000	\$ 425,208	\$ 1,205,208
2014	800,000	392,954	1,192,954
2015	322,661	874,868	1,197,529
2016	312,337	891,984	1,204,321
2017	835,000	344,152	1,179,152
2018-2022	4,620,000	1,196,126	5,816,126
2023-2027	<u>3,410,000</u>	<u>237,578</u>	<u>3,647,578</u>
Total	<u>\$ 11,079,998</u>	<u>\$ 4,362,870</u>	<u>\$ 15,442,868</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 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. A similar provision related to the purchase of textbooks and other instructional materials was repealed effective July 1, 2011. Therefore, the June 30, 2011 textbook set aside balance was not carried forward to the fiscal year 2012.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 – SET ASIDE REQUIREMENTS (CONTINUED)

	<u>Capital Improvements</u>
Set-aside Cash Balance, June 30, 2011	
Current Year Set-Aside Requirement	\$ 214,634
Current Year Qualifying Expenditures	(81,185)
Current Year Offsets	<u>\$ (133,449)</u>
Total	<u><u> </u></u>
 Balance Carried Forward to Fiscal Year 2013	 <u><u> </u></u>
 Set Aside Reserve Balance June 30, 2012	 <u><u> </u></u>

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 TRANSACTIONS

Interfund cash transfers for the year ended June 30, 2012 were as follows:

<u>Transfer From</u>	<u>Bond Retirement</u>	<u>Special Revenue</u>	<u>Total</u>
General Fund		\$ 5,050	\$ 5,050
Capital Projects	<u>\$ 224,580</u>	<u> </u>	<u>224,580</u>
Total	<u>\$ 224,580</u>	<u>\$ 5,050</u>	<u>\$ 229,630</u>

Transfers from the permanent improvement fund to the bond retirement fund were to make payments on school improvement bonds and tax anticipation note. At the closing of construction funds, the remaining balances were transferred to permanent improvement and classroom facilities maintenance funds. Transfers from the General Funds were made to Special Revenue to cover athletic participation fees, grant matching funds and operating funds for athletic.

During the year, the General fund advanced a total of \$52,328 to the Race to the Top Grant fund, \$25,870, the Title I Grant, \$25,933 and the Title II-A, \$525 to help with subsidize current year operations until grant monies are received. The Race to the Top Grant fund, \$20, Title I Grant fund, \$18,342, Title I ARRA Grant fund, \$2,463 and the Title II-A Grant fund \$3,315 repaid prior year advances to the General fund, \$24,140.

NOTE 15 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 15 - CONTINGENCIES (CONTINUED)

Litigation

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

School Attendance

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

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 209 Nolan Parkway, P.O. Box 407, 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 209 Nolan Parkway, P.O. Box 407, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to Jennifer Bonner, Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)

D. Educational Regional Service System

The Educational Regional Services System (System) is a jointly governed organization among the school districts located in Defiance, Fulton, Hancock, Henry, Lucas, Ottawa, Paulding, Putnam, Sandusky, Seneca, Van Wert, Williams, and Wood Counties. House Bill 115 established the System and required the creation of a coordinated, integrated, and aligned system to support state and school district efforts to improve school effectiveness and student achievement.

The System is a 16-region system consisting of a State Regional Alliance Advisory Board, an advisory council and 5 specialized subcommittees for each of the 16 regions, a fiscal agent for each region, educational service centers, special education regional resource centers, data acquisition sites, and other regional service providers. The 34 member State Regional Alliance Advisory Board is not a policymaking body. Members are to receive no compensation. The Board's duties are to promote communication and coordination among the State Board of Education, the Department of Education, fiscal agents, advisory councils, and customers of the System. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Lukas County Educational Service Center, 2275 Collingwood, Toledo, Ohio 43620.

NOTE 17 – PUBLIC ENTITY RISK POOLS

A. 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 26 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.

Effective January 1, 2012, the Employee Insurance Benefits Program was removed from Northern Buckeye Education Council (NBEC) and merged with Optimal Health Initiative Consortium (OHI). The new name of the District's local insurance group consortium is Northern Buckeye Health Plan, Northwest Division of OHI. Northern Buckeye Education Council no longer acts as fiscal agent for the insurance consortium.

For the period July 1, 2011 to December 31, 2011, the Evergreen Local School District contributed a total of \$508,933. Financial information can be obtained from Robin Pfund, who serves as treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

For the period January 1, 2012 through June 30, 2012, the District contributed a total of \$771,273 to Northern Buckeye Health Plan, Northwest Division of OHI for all employee insurance plans. Financial information for the period January 1, 2012 through June 30, 2012 can be obtained from Jenny Jostworth, Treasurer, at 10999 Reed Hartman Highway, Suite 304E, Cincinnati, Ohio 45242.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 17 – PUBLIC ENTITY RISK POOLS (CONTINUED)

B. 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, 2012, the School District paid an enrollment fee of \$1,383 to WCGRP to cover costs of administering the program.

Effective January 1, 2012 the WCGRP was transferred to Northern Buckeye Health Plan, Northern Division of OHI (NBHP). The NBHP WCGRP is an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Health Plan and the participating members of the WCGRP. The Executive Director of the NBHP coordinates the management and administration of the program. For the year ended June 30, 2012, there were no payments made to NBHP WCGRP.

C. The Ohio School Plan

The School District belongs to the Ohio School Plan (Plan), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 400 Ohio schools ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, general liability, educator's legal liability, automobile, and violence coverage's, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's specific deductible.

The Plan issues its own policies and reinsures the Plan with reinsurance carriers. Only if the Plan's paid liability loss ratio exceeds 65% and is less than 80% does the Plan contribute to paid claims. (See the Plan's audited financial statements on the website for more details.) The individual members are responsible for their self-retention (deductible) amounts, which vary from member to member.

The Plan's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010 (the latest information available):

	<u>2011</u>	<u>2010</u>
Assets	\$ 4,280,876	\$ 3,859,753
Liabilities	1,812,420	1,732,921
Members Equity	2,468,456	2,126,732

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.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 18 – RELATED ORGANIZATIONS (CONTINUED)

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, Jane Dominique, located at 253 Maple Street, Metamora, Ohio 43540.

This page intentionally left blank.

EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program - Cash Assistance	10.553	\$49,698	\$49,698
National School Lunch Program			
Cash Assistance	10.555	46,241	46,241
Non- Cash Assistance (Food Distribution)		170,779	170,779
Total National School Lunch Program		<u>217,020</u>	<u>217,020</u>
Total U.S. Department of Agriculture		<u>266,718</u>	<u>266,718</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	228,144	250,888
ARRA - Title I Grants to Local Educational Agencies	84.389	2,463	
Total Title I Cluster		<u>230,607</u>	<u>250,888</u>
Education Jobs Fund	84.410	7,061	7,061
ARRA - Race to the Top	84.395	19,486	44,432
Improving Teacher Quality State Grants	84.367	36,940	36,655
Education Technology State Grants	84.318	1,714	1,714
Total U.S. Department of Education		<u>295,808</u>	<u>340,750</u>
Totals		<u>\$562,526</u>	<u>\$607,468</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Evergreen Local School District's (the School District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the program that benefited from the use of those donated food commodities.



Dave Yost • Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio (the School District), as of and for the year ended June 30, 2012, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 15, 2013 wherein we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2012-002 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the School 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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 and 2012-002

We also noted a certain matter not requiring inclusion in this report that we reported to the School District's management in a separate letter dated February 15, 2013.

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

We intend this report solely for the information and use of management, the audit committee, Board of Education, federal awarding agencies and pass-through entities, and others within the School District. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

February 15, 2013



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

We have audited the compliance of Evergreen Local School District, Fulton County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the School District's major federal program for the year ended June 30, 2012. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the School District's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with these requirements.

As described in finding 2012-003 in the accompanying schedule of findings, the School District did not comply with requirements regarding eligibility applicable to its Nutrition Cluster – School Breakfast and National School Lunch major federal program. Compliance with this requirement is necessary, in our opinion, for the School District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Evergreen Local School District, Fulton County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings as item 2012-003 to be a material weakness.

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

We intend this report solely for the information and use of the audit committee, management, Board of Education, others within the School District, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

February 15, 2013

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Qualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster – School Breakfast Program CFDA #10.553 and National School Lunch Program #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2012-001

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. The report is to be filed with the Auditor of State within 60 days after the close of the fiscal year, with exception of public offices required to report pursuant to generally accepted accounting principles which shall file reports within 150 days after the close of the fiscal year.

**FINDING NUMBER 2012-001
(Continued)**

Ohio Administrative Code §117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38 requires the School District to file annual financial reports which are prepared using generally accepted accounting principles.

For 2012, the School District prepared financial statements on the cash basis of accounting in a format similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while presumably material, cannot be determined at this time.

The School District filed their annual report with the Auditor of State's office on January 7, 2013 when it is to be filed within 150 days after fiscal year end (November 28, 2012).

The School District can be fined and various other administrative remedies may be taken against the School District

We recommend the School District take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles and is filed the Auditor of State's office within 150 days.

Officials' Response:

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

FINDING NUMBER 2012-002

Non Compliance Citation – Material Weakness

Ohio Rev. Code §5705.10(E) requires proceeds from the sale of public obligations or fractionalized interests in public obligations as defined in section [133.01](#) of the Revised Code, except premium and accrued interest, shall be paid into a special fund for the purpose of such issue. The premium and accrued interest received from such sale shall be paid into the sinking fund or the bond retirement fund of the subdivision.

In 2012, the School District issued \$1,525,000 in bonds to refinance the remaining outstanding bonds on the 2002 classroom facilities improvement bond issue. The bond proceeds were paid to an escrow agent who retired the 2002 issue. This transaction was not included in the School District's financial records within the bond retirement fund. An adjustment was made to the bond retirement fund to record the proceeds from the sale of bonds (\$1,525,000), premium received on the sale (\$94,519), bond issuance costs paid (\$27,765), and payment to bond escrow agent (\$1,589,040) in the financial statements.

We recommend the School District record the refinancing activity to the School District's financial records and financial statements. In addition, the transaction should be certified to the County Auditor, estimated resources and appropriations should be amended accordingly

**FINDING NUMBER 2012-002
 (Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2012 – 003
CFDA Title and Number	10.553 School Breakfast Program 10.555 National School Lunch Program
Federal Award Number / Year	2012
Federal Agency	United States Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation and Material Weakness

CHILD NUTRITION CLUSTER – SCHOOL BREAKFAST PROGRAM NATIONAL SCHOOL LUNCH - ELIGIBILITY

7 CFR Part §245 §3(c) provides each School Food Authority shall serve free and reduced price meals or free milk in the respective programs to children eligible under its eligibility criteria.

A child's eligibility for free or reduced price meals under a Child Nutrition Cluster program is established by the submission of an annual application which furnishes such information as family income and family size. The School District determines eligibility by comparing the data reported by the student's household to published income eligibility guidelines information from the Federal Register.

We noted four applications out of twenty-two tested where School District officials incorrectly approved eligibility for free price meals participants. These applications should have been approved as reduced meal participants since the total annual family income listed on the applications exceeded the maximum level of family income for the size of the family to be eligible to participate as free meal recipients in the Child Nutrition Cluster program.

As a result, the School District was not entitled to \$69 reimbursed in 2012 from the Child Nutrition Cluster program.

The School District should only approve applications which meet eligibility guidelines set for the Child Nutrition Program.

Officials' Response:

See Corrective Action Plan on the following page.

This page intentionally left blank.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2012**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2012-003	The School District plans to strengthen its eligibility procedures for the Nutrition Cluster Program.	Fiscal Year 2013	Denise Leu, Treasurer

This page intentionally left blank.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Ohio Administrative Code §117-2-03 (B) - for not reporting in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2012-001 in this report.

This page intentionally left blank.



Dave Yost • 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 5, 2013