



Dave Yost • Auditor of State



**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
JUNE 30, 2016**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, 2016, and the respective changes in cash financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

**Accounting Basis**

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

**Other Matters**

*Other Information*

We applied no procedures to Management's Discussion and Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

Columbus, Ohio

April 7, 2017

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2016  
Unaudited**

The discussion and analysis of the Evergreen Local School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2016 are as follows:

- In total, net position increased by \$1,784,657.
- General receipts accounted for \$22,476,822, or 92% of all receipts, and reflect the District's significant dependence on income taxes, property taxes and unrestricted state entitlements. Program specific receipts in the form of charges for services, operating grants, and capital grants accounted for \$2,009,907 or 8% of total receipts of \$24,486,729.
- The District's major funds included are the General Fund and Debt Service Fund.
- The General Fund had \$15,037,952 in receipts and other financing sources and \$13,326,331 in disbursements and other financing uses. The General Fund's fund balance increased \$1,711,621 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 \$8,013,384 in receipts and other financing sources and \$8,101,548 in disbursements and other financing uses. The Debt Service Fund's fund balance decreased \$88,164 from the prior fiscal year.

**Using the Basic Financial Statements**

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

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund 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, 2016  
Unaudited  
(Continued)**

**Reporting the District as a Whole**

Statement of Net Position and Statement of Activities

The Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis reflect how the District did financially during fiscal year 2016. These statements are reported on the cash basis of accounting which reflects receipts and disbursements when cash is received or paid.

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

In the Statement of Net Position – Cash Basis and the Statement of Activities – Cash Basis, all of the District's activities are presented as governmental activities. All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

**Reporting the District's Most Significant Funds**

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its financial transactions, the fund financial statements focus on the District's most significant funds. The District's major funds are the General and Debt Service Funds.

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2016  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net position for fiscal year 2016 compared to fiscal year 2015.

**Table 1  
Net Position - Cash Basis  
Governmental Activities**

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	<u>\$11,757,579</u>	<u>\$9,972,922</u>
<b><u>Net Position</u></b>		
Restricted	\$3,000,435	\$2,927,399
Unrestricted	<u>8,757,144</u>	<u>7,045,523</u>
Total	<u>\$11,757,579</u>	<u>\$9,972,922</u>

Total cash and cash equivalents increased \$1,784,657 mainly due to increased income tax revenues due to higher than anticipated income tax collections, increased real estate tax collections in both Fulton and Lucas Counties as a result of revaluation and significantly higher C.A.U.V. values, and an increase in state Foundation funding for Fiscal Year 2016.

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

**Table 2  
Changes in Net Position - Cash Basis  
Governmental Activities**

	<u>2016</u>	<u>2015</u>
<b><u>Receipts:</u></b>		
Program Receipts:		
Charges for Services and Sales	\$1,223,522	\$1,205,303
Operating Grants	786,385	1,072,000
Total Program Receipts	<u>2,009,907</u>	<u>2,277,303</u>
General Receipts:		
Property and Income Taxes	9,644,423	9,270,314
Grants and Entitlements	5,908,543	5,484,481
Interest	39,878	34,593
Miscellaneous	5,954	117,100
Refund Bonds Issued	6,805,000	
Proceeds from Sale of Capital Assets	2,272	
Refund of Prior Year Expenditures	<u>70,752</u>	
Total General Receipts	<u>22,476,822</u>	<u>14,906,488</u>
Total Revenues	<u>24,486,729</u>	<u>17,183,791</u>

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2016  
Unaudited  
(Continued)**

**Table 2  
Changes in Net Position - Cash Basis  
Governmental Activities**

	<u>2016</u>	<u>2015</u>
<b><u>Disbursements</u></b>		
Instruction	\$8,201,378	\$8,083,939
Support Services:		
Pupils	617,633	687,846
Instructional Staff	241,492	211,325
Board of Education	51,580	48,034
Administration	1,109,034	1,050,985
Fiscal	403,553	387,549
Business	18,000	18,000
Operation and Maintenance of Plant	1,153,824	1,151,001
Pupil Transportation	1,234,379	1,134,002
Central	345,561	379,007
Non-Instructional	585,371	595,466
Extracurricular Activities	638,114	621,915
Debt Service:		
Principal	312,337	322,661
Interest and Fiscal Charges	733,202	874,869
Issuance Costs	94,495	
Payments to Refunded Bond Escrow Agent	6,940,193	
Refund of Prior Year Receipts	21,926	
Total Disbursements	<u>22,702,072</u>	<u>15,566,599</u>
Increase in Net Position	<u>\$1,784,657</u>	<u>\$1,617,192</u>

Program receipts account for 8% 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 36% of all governmental disbursements. Other programs which support the instruction process, including pupil, instructional staff, and pupil transportation account for over 9% of governmental disbursements. Maintenance of the District's facilities also represents a significant disbursement of 5%. Debt service payments and the refunding of an old debt issue represent a significant disbursement of 36%. The remaining 14% of the District's disbursements are related to the primary functions of delivering education and providing facilities. These costs are funded almost entirely from property taxes, grants and entitlements.

Overall revenues increased \$7,302,938, or 42%, which was due to the refunding bonds issued. Overall disbursements increased \$7,135,473, or 46%, which was due to the advance defeasement of debt.

**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, 2016  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities - Cash Basis**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
Instruction	\$8,201,378	\$7,014,263	\$8,083,939	\$6,624,461
Support Services:				
Pupils	617,633	617,633	687,846	687,846
Instructional Staff	241,492	241,492	211,325	211,325
Board of Education	51,580	51,580	48,034	48,034
Administration	1,109,034	1,109,034	1,050,985	1,050,985
Fiscal	403,553	403,553	387,549	387,549
Business	18,000	18,000	18,000	18,000
Operation and Maintenance of Plant	1,153,824	1,127,723	1,151,001	1,114,608
Pupil Transportation	1,234,379	1,234,379	1,134,002	1,134,002
Central	345,561	337,641	379,007	371,047
Non-Instructional	585,371	2,055	595,466	10,947
Extracurricular Activities	638,114	432,659	621,915	432,962
Debt Service:				
Principal	312,337	312,337	322,661	322,661
Interest and Fiscal Charges	733,202	733,202	874,869	874,869
Issuance Costs	94,495	94,495		
Advance Refunding Escrow	6,940,193	6,940,193		
Refund of Prior Year Receipts	21,926	21,926		
Total Disbursements	<u>\$22,702,072</u>	<u>\$20,692,165</u>	<u>\$15,566,599</u>	<u>\$13,289,296</u>

The dependence upon tax receipts and unrestricted state entitlements for governmental activities is apparent. Over 85% of instruction activities are supported through taxes and other general receipts. For all governmental activities, support from general receipts is 91%. The community, as a whole, provides a significant support for the District's students.

**The District's Funds**

The District's governmental funds are accounted for using the cash basis of accounting. The District's major governmental funds were the general and debt service funds. Total governmental funds had receipts of \$17,608,705, disbursements of \$15,739,953, and net other financing uses of \$84,095. The overall positive change of \$1,784,657 in fund balance for the year is primarily due to the increased real property and income tax revenues and state Foundation funding.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2016, the District amended its General Fund budget as needed. Final budgeted revenues and other financing sources, in the amount of \$14,933,929 were higher than original budgeted revenues and other financing sources of \$14,484,652 due to increases in income tax and property tax revenue.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ended June 30, 2016  
Unaudited  
(Continued)**

**General Fund Budgeting Highlights (Continued)**

Final expenditures and other financing uses were budgeted at \$13,397,866 while actual expenditures and other financing uses were \$13,374,142. The \$23,724 difference is a result of conservative budget approval and fewer severance payments than anticipated. 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 \$1,610,004 more than expenditures due to management of expenses and increased revenues.

**Debt Administration**

At June 30, 2016 the District has \$8,865,000 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 Fund.

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

**Current Issues**

Evergreen Local School District ended fiscal year 2016, with a healthy cash balance due mainly to higher than anticipated revenues. Factors accounting for the increased revenue included continued growth in income collections, increased real estate collections due to revaluation in Lucas County last year and in Fulton County two years ago, and a significant unexpected boost in state foundation funding. The District has especially benefited from the large increases in C.A.U.V. values on farm ground in this geographically large, predominantly rural district. Actual expenditures were also below originally budgeted amounts due to a combination of conservative budgeting and lower than anticipated costs in ESC contracted services, maintenance costs, fuel and utility costs. The District expects another increase in state foundation funding, and modest growth in both income tax and real estate revenues for FY17. District residents currently are paying a total of 2% in school district income taxes. Because of the District's current solid financial footing, the Board has delayed taking action to renew the .50% income levy due to expire at the end of 2017, and has decided to wait until early 2017 to determine whether or not it will be necessary to do so. The District is currently in sound financial condition, however, any number of factors, including another economic downturn, potential adjustments in the C.A.U.V. formula, and changes in the state funding formula could quickly erode its cash balance. District management actively seeks to minimize costs wherever possible, while at the same time, provide a high quality of educational and extracurricular opportunities to District students, but will also need to carefully monitor and adjust spending in correlation to any downward trends in revenue.

**Contacting the District's Financial Management**

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

EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
JUNE 30, 2016

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ <u>11,757,579</u>
<b>Net Position:</b>	
Restricted for Debt Service	\$ 2,280,216
Restricted for Capital Outlay	523,985
Restricted for Other Purposes	196,234
Unrestricted	<u>8,757,144</u>
<i>Total Net Position</i>	\$ <u>11,757,579</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, 2016**

		Program Revenues		Net (Disbursements) Receipts and Changes in Net Position
Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$ 5,591,984	\$ 565,379	\$ 19,467	\$ (5,007,138)
Special	2,045,613	179,110	399,310	(1,467,193)
Vocational	143,715		23,849	(119,866)
Other	420,066			(420,066)
Support Services:				
Pupils	617,633			(617,633)
Instructional Staff	241,492			(241,492)
Board of Education	51,580			(51,580)
Administration	1,109,034			(1,109,034)
Fiscal	403,553			(403,553)
Business	18,000			(18,000)
Operation and Maintenance of Plant	1,153,824	14,641	11,460	(1,127,723)
Pupil Transportation	1,234,379			(1,234,379)
Central	345,561		7,920	(337,641)
Operation of Non-Instructional Services	585,371	285,862	297,454	(2,055)
Extracurricular Activities	638,114	178,530	26,925	(432,659)
Debt Service:				
Principal	312,337			(312,337)
Interest and Fiscal Charges	733,202			(733,202)
Issuance Costs	94,495			(94,495)
Payments to Refunded Bond Escrow Agent	6,940,193			(6,940,193)
Refund of Prior Year Receipts	21,926			(21,926)
<b>Totals</b>	<b>\$ 22,702,072</b>	<b>\$ 1,223,522</b>	<b>\$ 786,385</b>	<b>(20,692,165)</b>
<b>General Receipts:</b>				
Property Taxes:				
Levied for General Purposes				4,304,474
Levied for Capital Outlay				237,658
Levied for Debt Service				944,514
Levied for Other				66,015
Income Taxes				4,091,762
Grants and Entitlements not Restricted to Specific Programs				5,908,543
Investment Earnings				39,878
Miscellaneous				5,954
Refund Bonds Issued				6,805,000
Proceeds from Sale of Capital Assets				2,272
Refund of Prior Year Expenditures				70,752
<b>Total General Receipts</b>				<b>22,476,822</b>
<b>Change in Net Position</b>				<b>1,784,657</b>
<b>Net Position Beginning of Year</b>				<b>9,972,922</b>
<b>Net Position End of Year</b>			<b>\$</b>	<b>11,757,579</b>

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, 2016

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$ <u>8,757,144</u>	\$ <u>2,280,216</u>	\$ <u>720,219</u>	\$ <u>11,757,579</u>
<b>Fund Balances:</b>				
Restricted		\$ 2,280,216	\$ 726,065	\$ 3,006,281
Committed	\$ 11,000			11,000
Assigned	265,779			265,779
Unassigned (Deficit)	<u>8,480,365</u>		<u>(5,846)</u>	<u>8,474,519</u>
<i>Total Fund Balances</i>	<u>\$ 8,757,144</u>	<u>\$ 2,280,216</u>	<u>\$ 720,219</u>	<u>\$ 11,757,579</u>

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, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 4,304,474	\$ 944,514	\$ 303,673	\$ 5,552,661
Income Tax	4,091,762			4,091,762
Intergovernmental	5,688,809	133,413	823,785	6,646,007
Interest	39,878		9	39,887
Tuition and Fees	744,489			744,489
Rent	14,641			14,641
Extracurricular Activities	52,654		125,876	178,530
Gifts and Donations	16,967		8,802	25,769
Customer Sales and Services			285,862	285,862
Miscellaneous	5,954		23,143	29,097
<i>Total Receipts</i>	<u>14,959,628</u>	<u>1,077,927</u>	<u>1,571,150</u>	<u>17,608,705</u>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	5,587,488		4,496	5,591,984
Special	1,627,605		418,008	2,045,613
Vocational	143,715			143,715
Other	420,066			420,066
Support Services:				
Pupils	617,633			617,633
Instructional Staff	241,492			241,492
Board of Education	51,580			51,580
Administration	1,109,034			1,109,034
Fiscal	375,442	21,321	6,790	403,553
Business	18,000			18,000
Operation and Maintenance of Plant	1,056,793		97,031	1,153,824
Pupil Transportation	1,234,379			1,234,379
Central	337,640		7,921	345,561
Operation of Non-Instructional Services			585,371	585,371
Extracurricular Activities	482,627		155,487	638,114
Debt Service:				
Principal		312,337		312,337
Interest		733,202		733,202
Issuance Costs		94,495		94,495
<i>Total Disbursements</i>	<u>13,303,494</u>	<u>1,161,355</u>	<u>1,275,104</u>	<u>15,739,953</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,656,134</u>	<u>(83,428)</u>	<u>296,046</u>	<u>1,868,752</u>
<b>Other Financing Sources and (Uses):</b>				
Transfers In		130,457	1,082	131,539
Advances In	5,300			5,300
Refund Bonds Issued		6,805,000		6,805,000
Proceeds from Sale of Capital Assets	2,272			2,272
Refund of Prior Year Expenditures	70,752			70,752
Transfers Out	(911)		(130,628)	(131,539)
Advances Out			(5,300)	(5,300)
Payment to Refunded Bond Escrow Agent		(6,940,193)		(6,940,193)
Refund of Prior Year Receipts	(21,926)			(21,926)
<i>Total Other Financing Sources and (Uses)</i>	<u>55,487</u>	<u>(4,736)</u>	<u>(134,846)</u>	<u>(84,095)</u>
<i>Net Change in Fund Balances</i>	<u>1,711,621</u>	<u>(88,164)</u>	<u>161,200</u>	<u>1,784,657</u>
<i>Fund Balances at Beginning of Year</i>	<u>7,045,523</u>	<u>2,368,380</u>	<u>559,019</u>	<u>9,972,922</u>
<i>Fund Balances at End of Year</i>	<u>\$ 8,757,144</u>	<u>\$ 2,280,216</u>	<u>\$ 720,219</u>	<u>\$ 11,757,579</u>

See Accompanying Notes to the Basic Financial Statements

EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts:</b>				
Property and Other Local Taxes	\$ 4,163,650	\$ 4,289,748	\$ 4,304,474	\$ 14,726
Income Tax	4,021,761	4,091,762	4,091,762	
Intergovernmental	5,438,741	5,686,619	5,688,809	2,190
Interest	35,000	35,000	39,878	4,878
Tuition and Fees	767,000	767,000	744,489	(22,511)
Rent	13,000	13,000	14,641	1,641
Extracurricular Activities			492	492
Gifts and Donations	2,500	2,500	15,323	12,823
Miscellaneous	2,500	2,500	5,954	3,454
<i>Total Receipts</i>	14,444,152	14,888,129	14,905,822	17,693
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	5,581,014	5,604,571	5,606,326	(1,755)
Special	1,955,486	1,627,999	1,629,758	(1,759)
Vocational	151,734	144,734	144,681	53
Other	473,400	419,400	420,066	(666)
Support Services:				
Pupils	542,013	617,811	617,921	(110)
Instructional Staff	218,689	246,689	245,885	804
Board of Education	63,460	51,960	51,580	380
Administration	1,070,672	1,071,672	1,073,327	(1,655)
Fiscal	407,018	380,018	380,090	(72)
Business	18,000	18,000	18,000	
Operation and Maintenance of Plant	1,144,952	1,098,273	1,099,884	(1,611)
Pupil Transportation	1,368,623	1,235,344	1,235,299	45
Central	386,903	344,903	345,176	(273)
Extracurricular Activities	436,349	477,349	478,082	(733)
Capital Outlay			3,924	(3,924)
<i>Total Disbursements</i>	13,818,313	13,338,723	13,349,999	(11,276)
<i>Excess of Receipts Over Disbursements</i>	625,839	1,549,406	1,555,823	6,417
<b>Other Financing Sources and (Uses):</b>				
Advances In		5,300	5,300	
Proceeds from Sale of Capital Assets	500	500	2,272	1,772
Refund of Prior Year Expenditures	40,000	40,000	70,752	30,752
Transfers Out		(78)	(78)	
Advances Out	(35,000)	(37,139)	(2,139)	35,000
Refund of Prior Year Receipts		(21,926)	(21,926)	
<i>Total Other Financing Sources and (Uses)</i>	5,500	(13,343)	54,181	67,524
<i>Net Change in Fund Balance</i>	631,339	1,536,063	1,610,004	73,941
Fund Balance at Beginning of Year	6,913,389	6,913,389	6,913,389	
Prior Year Encumbrances Appropriated	90,666	90,666	90,666	
<i>Fund Balance at End of Year</i>	\$ 7,635,394	\$ 8,540,118	\$ 8,614,059	\$ 73,941

See Accompanying Notes to the Basic Financial Statements

EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS  
FIDUCIARY FUNDS  
JUNE 30, 2016

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>38,713</u>	\$ <u>38,716</u>
<b>Liabilities:</b>		
Current Liabilities:		
Undistributed Monies		\$ <u>38,716</u>
<b>Net Position:</b>		
Held in Trust for Scholarships	\$ <u>38,713</u>	

See Accompanying Notes to the Basic Financial Statements

EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CASH BASIS  
PRIVATE PURPOSE TRUST FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Private Purpose Trust</u>
<b>Additions:</b>	
Interest	\$ 89
Gifts and Contributions	2,668
<i>Total Additions</i>	<u>2,757</u>
<b>Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>3,701</u>
<i>Change in Net Position</i>	(944)
Net Position Beginning of Year	39,657
<i>Net Position End of Year</i>	<u>\$ 38,713</u>

See Accompanying Notes to the Basic Financial Statements

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016**

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The District was established in 1967 through the consolidation of existing land areas and school districts. The 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. It is staffed by 65 classified, 84 certified teaching personnel, and 7 administrative employees who provide services to 1,175 students and other community members. The 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 District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Evergreen Local School District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the 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 District participates in four jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Health Plan, the Optimal Health Initiatives Workers' Compensation Group Rating Plan, the Ohio School Plan, and the Evergreen Community Library. These organizations are presented in Notes 16, 17, and 18 to the basic financial statements.

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

**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.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

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

**A. Basis of Presentation**

The District's basic financial statements consist of government-wide financial statements, including a statement of net position 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 position and the statement of activities display information about the 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 District that are governmental activities (primarily supported by taxes and inter-governmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the District has no business-type activities.

The statement of net position presents the cash balance of the governmental activities of the District at fiscal yearend. The statement of activities compares disbursements with program receipts for each function or program of the 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 District's general receipts.

**Fund Financial Statements**

During the fiscal year, the District segregates transactions related to certain 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 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 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 District are divided into two categories, governmental and fiduciary.

**Governmental**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The 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 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.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

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

The other governmental funds of the 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 pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are not available to support the District's own programs. The 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 District's agency funds account for various student-managed activities.

**C. Basis of Accounting**

The District's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the 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 level within all other funds are made by the 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.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

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

**E. Cash and Investments**

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

Investments of the District’s cash management pool and investments with an original maturity of three months or less at the time they are purchased by the 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 fiscal year 2016, the District invested in negotiable certificates of deposit and STAR Ohio. Investments are reported at cost.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The District also implemented GASB Statement No. 79 for 2016. The implementation of this GASB pronouncement had no effect on beginning net position/fund balance. The District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

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 2016 amounted to \$39,878, which included \$10,485 assigned from other District Funds.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Interfund Receivables/Payables**

The 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 interfund loans as advances when made or repaid. These amounts are eliminated in the statement of activities.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

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

**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. Pension**

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

**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 Position**

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

The 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 District 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.

**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 District Board of Education. Those committed amounts cannot be used for any other purpose unless the 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.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

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

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the 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 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 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 District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the 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 District can be fined and various other administrative remedies may be taken against the District.

**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 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, 2016 for the major governmental funds and all other governmental funds are presented as follows:

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

**NOTE 4 – FUND BALANCE (CONTINUED)**

<u>Fund Balance</u>	<u>General</u>	<u>Debt Service</u>	<u>All Other Governmental Funds</u>	<u>Total</u>
Restricted for:				
Debt Payment		\$2,280,216		\$2,280,216
Food Service Operations			\$6,456	6,456
SOS Grant			27	27
District Managed Activity			12,454	12,454
Capital Improvements			523,985	523,985
Classroom Facilities			182,161	182,161
Summer Intervention			379	379
Vision Service			603	603
Total Restricted		<u>2,280,216</u>	<u>726,065</u>	<u>3,006,281</u>
Committed to:				
Storage Tank	\$11,000			11,000
Total Committed	<u>11,000</u>			<u>11,000</u>
Assigned to:				
Track/Stadium	133,688			133,688
Unpaid Obligations	104,440			104,440
Other Purposes	27,651			27,651
Total Assigned	<u>265,779</u>			<u>265,779</u>
Unassigned (Deficit)	8,480,365		(5,846)	8,474,519
Total Fund Balances	<u>\$8,757,144</u>	<u>\$2,280,216</u>	<u>\$720,219</u>	<u>\$11,757,579</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 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 restricted, committed or assigned fund balance (cash basis) and certain funds included in the General Fund as part of the GASB 54 requirements are not included in the budgetary statement.

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

<u>Net Change in Fund Balance</u>	<u>General Fund</u>
Cash Basis (as Reported)	\$1,711,621
Outstanding Encumbrances	(104,440)
Perspective Difference:	
Activity of Funds Reclassified for	
Cash Reporting Purposes	2,823
Budgetary Basis	<u>\$1,610,004</u>

**NOTE 6 – DEPOSITS AND INVESTMENTS**

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

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

Inactive deposits are public deposits that the 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 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;
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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer, or if the securities are not represented by a certificate upon receipt of confirmation of transfer from the custodian.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

**NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)**

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal yearend, \$1,128,402 of the District's bank balance of \$8,257,444 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 District to a successful claim by the FDIC.

The 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 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, 2016, the District had the following investments:

Investment Type	Balance at Cost	Investment Maturities	
		Less than One Year	One to Two Years
Negotiable Certificates of Deposit	\$3,245,000	\$1,000,000	\$2,245,000
STAR Ohio	169,887	169,887	
Total Investments	\$3,414,887	\$1,169,887	\$2,245,000

Credit Risk – The negotiable certificates of deposit are covered by FDIC insurance. STAR Ohio carries a rating of AAAM by Standard and Poor's. The 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 – Interest rate risk arises because potential purchasers of securities will not agree to pay face value of those securities if interest rates subsequently increase. 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.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investment in negotiable certificates of deposit represents 95 percent of the District's total investments.

**NOTE 7 – PROPERTY TAXES**

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

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**NOTE 7 – PROPERTY TAXES (CONTINUED)**

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2016 represent the collection of calendar year 2015 taxes. Real property taxes for 2016 were levied after April 1, 2015, on the assessed values as of January 1, 2015, 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 2016 represent the collection of calendar year 2015 taxes. Public utility real and tangible personal property taxes received in calendar year 2016 become a lien on December 31, 2014, were levied after April 1, 2015, 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 District receives property taxes from Fulton and Lucas counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2016, are available to finance fiscal year 2016 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 2016 taxes are based are as follows:

	<b>2015 Second- Half Collections</b>		<b>2016 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$204,457,300	90.49%	\$211,939,480	90.94%
Industrial/Commercial	6,527,890	2.89%	5,993,010	2.57%
Public Utility Real Property	33,210	0.01%	31,740	0.02%
Public Utility Personal Property	14,936,900	6.61%	15,081,080	6.47%
Total Assessed Value	<u>\$225,955,300</u>	<u>100.00%</u>	<u>\$233,045,310</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$44.40		\$44.20	

**NOTE 8 – INCOME TAXES**

The 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, and was renewed again by voters in 2013, effective beginning 2015 for five years. Voters passed an additional .5% income tax effective beginning January 2013 for a total 2% income tax. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund.

**NOTE 9 – RISK MANAGEMENT**

**A. Property and Liability**

The District maintains comprehensive insurance coverage through the Ohio School Plan (the Plan), 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.

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**NOTE 9 – RISK MANAGEMENT (CONTINUED)**

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)	\$61,565,612
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 District participates in The Optimal Health Initiatives Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. 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 participants that can meet the Plan's selection criteria. The firm Sheakley provides administrative, cost control, and actuarial services to the Plan.

**C. Employee Medical Benefit**

The District participates in the Northern Buckeye Health Plan (Plan), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, vision, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Plan. The agreement for the Plan provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Plan, a participant is responsible for any claims not processed and paid and any related administrative costs.

**NOTE 10 – DEFINED BENEFIT PENSION PLANS**

**A. Net Pension Liability**

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The net pension liability represents the District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the District's obligation for this liability to annually required payments. The District cannot control benefit terms or the manner in which pensions are financed; however, the District does receive the benefit of employees' services in exchange for compensation including pension.

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

**Plan Description - School Employees Retirement System (SERS)**

Plan Description – District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\* Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. 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 the fiscal year ended June 30, 2016, the allocation to pension, death benefits, and Medicare B was 14.0 percent. None of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The District's contractually required contribution to SERS was \$301,550 for fiscal year 2016.

**Plan Description - State Teachers Retirement System (STRS)**

Plan Description – District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age.

Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five year of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The 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 the DC Plan. In the Combined Plan, 11% of the 12% member rate goes to the DC Plan and 1% goes to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity after termination of employment at age 50 or later.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS Ohio plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS Ohio bearing the risk of investment gain or loss on the account. STRS Ohio has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability 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.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The District's contractually required contribution to STRS was \$779,866 for fiscal year 2016.

**Net Pension Liability**

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability Prior Measurement Date	0.0563970%	0.0513497%	
Proportion of the Net Pension Liability Current Measurement Date	<u>0.0571906%</u>	<u>0.0523726%</u>	
Change in Proportionate Share	<u>-0.0007936%</u>	<u>-0.0010229%</u>	
 Proportion of the Net Pension Liability	 \$3,263,351	 \$14,474,266	 \$17,737,617

**Actuarial Assumptions - SERS**

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2015, are presented below:

Future Salary Increases, including inflation	4 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investment expenses, including inflation
Actuarial Cost Method	entry age normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalanced uncorrelated asset classes. The target allocation and best estimates of long-term expected real rate of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

**EVERGREEN LOCAL SCHOOL DISTRICT  
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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$4,525,095	\$3,263,351	\$2,200,858

**Changes between Measurement Date and Report Date**

In April 2016, the SERS Board adopted certain assumption change which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the District's net pension liability is expected to be significant.

**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS Ohio's investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

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**NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

\* 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.50%.

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

**Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following table presents the District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease █ (6.75%)	Current Discount Rate █ (7.75%)	1% Increase █ (8.75%)
School District's proportionate share of the net pension liability	\$20,105,847	\$14,474,266	\$9,711,924

**B. 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.

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**NOTE 11 – POST EMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

**Health Care Plan Description** - The District participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

**Funding Policy** - Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, 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 postemployment health care may be deducted from employer contributions. For fiscal years ended June 30, 2016, and June 30, 2015, STRS did not allocate any employer contributions to postemployment health care. For the fiscal year ended June 30, 2014, 1 percent of covered payroll was allocated to postemployment health care. The District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 were \$0, \$0, and \$57,549, respectively. The full amount has been contributed for all three fiscal years.

**B. School Employees Retirement System**

**Health Care Plan Description** - The District contributes to the SERS Health Care Fund administered by SERS for classified retirees and their beneficiaries. For GASB Statement No. 45 purposes, this plan is considered a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under employers/audit resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). The SERS Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility, and retirement status.

**Funding Policy** - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2016, no allocation of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, prorated according to service credit earned. For fiscal year 2016, this amount was \$23,000. State statute provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS covered payroll for the health care surcharge. For fiscal year 2016, the District's surcharge obligation was \$16,869.

The District's contribution for health care for the fiscal years ended June 30, 2016, 2015, and 2014 was \$13,671, \$48,229 and \$32,146, respectively. The full amount has been contributed for all three fiscal years.

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**NOTE 12 – NOTES PAYABLE AND LONG TERM DEBT**

Changes in long-term obligations of the District during fiscal year 2016 were as follows:

	<u>Outstanding 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Outstanding 6/30/16</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
2005 Unlimited Tax Refund	\$6,927,337		\$6,927,337		
2010 Energy Conservation	915,000		85,000	\$830,000	\$85,000
2012 Classroom Facilities	1,335,000		105,000	1,230,000	105,000
2015 School Improvement Refunding Bonds		\$6,805,000		6,805,000	660,000
	<u>\$9,177,337</u>	<u>\$6,805,000</u>	<u>\$7,117,337</u>	<u>\$8,865,000</u>	<u>\$850,000</u>

On May 7, 2002 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 was refunded through the issuance of new bonds. The refunding bonds have interest rates from 3.55% to 4.60% and mature on December 1, 2025. Total debt service payments were reduced by \$92,472 and a new present value savings of \$78,006.

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 2015. The maturity amount of the capital appreciation bonds is \$530,000. On September 3, 2015, the remaining \$6,927,337 face values of the bonds were refunded through the issuance of new bonds. The refunding bonds have an interest rate of 2.203% and mature on December 1, 2024. Total debt service payments were reduced by \$641,637 and a new present value savings of \$480,381.

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, 2016 was \$733,202.

The scheduled payments of principal and interest on debt outstanding at June 30, 2016 are as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$850,000	\$228,183	\$1,078,183
2018	900,000	204,694	1,104,694
2019	920,000	180,396	1,100,396
2020	945,000	155,523	1,100,523
2021	965,000	130,075	1,095,075
2022 – 2026	4,285,000	260,938	4,545,938
Total	<u>\$8,865,000</u>	<u>\$1,159,809</u>	<u>\$10,024,809</u>

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

**NOTE 13 – SET ASIDE REQUIREMENTS**

The 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.

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.

	<b>Capital Improvements</b>
Set-aside Cash Balance as of June 30, 2015	\$0
Current Year Set-aside Requirement	204,528
Current Year Qualifying Expenditures	(105,038)
Current Year Offsets	(99,490)
Total Restricted Assets	\$0
Cash Balance Carried Forward to FY 2017	
Set Aside Reserve Balance June 30, 2016	

**NOTE 14 – INTERFUND TRANSFERS**

Transfers of \$130,457 from the permanent improvement fund to the debt service fund were to make payments on school improvement bonds. Transfers from the General Fund were made to Other Governmental Funds to cover food service deficits and provide a local match to an archery grant in the amounts of \$78 and \$833, respectively. A transfer was made between Other Governmental Funds for athletic tournament proceeds in the amount of \$171.

At June 30, 2016, the General Fund received returns of advances from federal grants Title I and Title II A in amount of \$5,300.

**NOTE 15 – CONTINGENCIES**

**A. School Foundation**

District foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for fiscal year 2016, traditional school districts must comply with minimum hours of instruction instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the District, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2016 foundation funding for the District. Therefore, any financial statement impact is not determinable at this time.

**B. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

**NOTE 15 - CONTINGENCIES (CONTINUED)**

**C. Litigation**

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

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a computer consortium. NWOCA is an association of educational entities 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 educational entities.

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the Governing Council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2016, the District paid \$155,727 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 209 Nolan Parkway, Archbold, Ohio 43502.

**B. Northern Buckeye Education Council**

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 209 Nolan Parkway, Archbold, Ohio 43502.

**C. Four County Career Center**

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, 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, 2016  
(Continued)**

**NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (CONTINUED)**

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., 441 East Market Street, Celina, Ohio, 45822.

**NOTE 17 – INSURANCE POOLS**

**A. Northern Buckeye Health Plan**

The Northern Buckeye Health Plan (Plan), is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Plan is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

**B. Optimal Health Initiatives Worker's Compensation Group Rating Plan**

The District participates in a group rating plan for workers' compensation as established under section §4123.29 of the Ohio Revised Code. The Optimal Health Initiatives Worker's Compensation Group Rating Plan (the Plan) was established through Optimal Health Initiatives (OHI) an insurance purchasing pool. The Plan is governed by the OHI and the participants of the Plan. The Executive Director of the OHI coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

**C. Ohio School Plan**

The District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from the Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2016  
(Continued)**

**NOTE 18 – RELATED ORGANIZATIONS**

**Evergreen Community Library**

The 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 District for operational subsidies. Although the 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.



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash-basis financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Evergreen Local School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 7, 2017, wherein we noted the District uses a special purpose framework other than generally accepted accounting principles.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency. We consider finding 2016-002 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our

audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

***District's Response to Findings***

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

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Columbus, Ohio

April 7, 2017

EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY

SCHEDULE OF FINDINGS  
JUNE 30, 2016

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

FINDING NUMBER 2016-001

**Noncompliance Citation**

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

**Ohio Admin. Code § 117-2-03(B)** adds to the requirements of Ohio Rev. Code § 117.38 and requires the District to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP).

As a cost saving measure, management decided to prepare the District's 2016 financial statements on a cash basis of accounting in a format similar to financial statements by Governmental Accounting 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 material assets, liabilities, fund equities, and disclosures. Variances on the financial statements between the District's accounting practice and GAAP, while presumably material, cannot reasonably be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared and filed in accordance with generally accepted accounting principles.

**Officials' Response:**

Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

FINDING NUMBER 2016-002

**Significant Deficiency – Refunding Debt Transaction**

The District issued \$6,805,000 in bonds to refinance the remaining principal on the outstanding 2005 refunded classroom facilities improvement bond issue. The District issued an additional payment of \$135,193 to refinance the future interest obligations on the issue. The bond proceeds and additional payment were paid to an escrow agent who retired the remaining principal of the 2005 issue. For these transactions, Uniform School Accounting System (USAS), as explained in Auditor of State Bulletin 2006-004, has established function code 7910 – Payment to Refunded Bond Escrow Agent for these debt related payments.

The \$6,805,000 bond proceeds which were paid to the escrow agent were recorded to function 7910 - Payment to the escrow agent and the additional payment for accrued interest of \$135,193 was recorded as debt service Interest in the District's accounting records. These amounts were reported as Debt Service: Principal and Interest, respectfully, on the financial statements.

An adjustment was made to the Debt Service Fund to record \$6,940,193 as Payment to Refunded Bond Escrow Agent in the financial statements. A final review of the financial statements may have detected this error.

We recommend that management, prior to filing, conduct a review of the financial statements to detect possible errors.

**Officials' Response:**

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

**EVERGREEN LOCAL SCHOOL DISTRICT  
FULTON COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2016**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2015-001	Ohio Rev. Code § 117.38 and Ohio Admin. Code § 117-2-03 (B) – for not reporting in accordance with generally accepted accounting principles.	Not corrected and reissued as finding 2016-001 in this report.	Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

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# 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  
MAY 4, 2017