



**Auditor of State
Betty Montgomery**

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

Table of Contents

Title	Page
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental and Similar Fiduciary Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental and Similar Fiduciary Fund Types.....	10
Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Fund Type	14
Statement of Cash Flows - Proprietary Fund Type.....	15
Notes to the General-Purpose Financial Statements	17
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Evergreen Local School District (the School District), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Evergreen Local School District, Fulton County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2003 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

January 16, 2003

This page intentionally left blank.

This page intentionally left blank.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,141,847	\$84,669	\$465,361	\$2,528,664
Receivables:				
Taxes	2,923,285		970,728	308,367
Accounts	1,783			
Intergovernmental	366,177	43,615		
Interfund Receivable	23,050			
Inventory Held for Resale	1,069			
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agents				72,106
Fixed Assets				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	\$4,457,211	\$128,284	\$1,436,089	\$2,909,137

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Trust and Agency</u>			
\$48,917	\$47,505			\$4,316,963
				4,202,380
				1,783
12,317				422,109
				23,050
21,635				22,704
				72,106
269,549		\$19,372,414		19,641,963
			\$593,337	593,337
			14,335,789	14,335,789
<u>\$352,418</u>	<u>\$47,505</u>	<u>\$19,372,414</u>	<u>\$14,929,126</u>	<u>\$43,632,184</u>

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$11,282	\$9,671		\$118,029
Accrued Wages and Benefits	926,065	\$807		17
Compensated Absences Payable	14,510			
Retainage Payable				72,106
Interfund Payable				
Intergovernmental Payable	125,951	1,395		
Deferred Revenue	2,523,638	9,022	\$842,752	\$267,549
Due to Students				
Notes Payable				
Capital Leases Payable				
General Obligation Bonds Payable				
Total Liabilities	3,601,446	20,895	842,752	457,701
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	40,034	32,424		139,903
Reserved for Property Taxes	399,647		127,976	40,818
Unreserved:				
Unreserved, Undesignated	416,084	74,965	465,361	2,270,715
Total Fund Equity and Other Credits	855,765	107,389	593,337	2,451,436
Total Liabilities, Fund Equity and Other Credits	\$4,457,211	\$128,284	\$1,436,089	\$2,909,137

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$20	\$914			\$139,916
28,857				955,746
19,832			\$532,392	566,734
				72,106
22,500	550			23,050
14,689			72,241	214,276
10,662				3,653,623
	\$40,899			40,899
			2,182,000	2,182,000
			8,250	8,250
			12,134,243	12,134,243
96,560	42,363		14,929,126	19,990,843
		\$19,372,414		19,372,414
255,858				255,858
	850			213,211
				568,441
	4,292			3,231,417
255,858	5,142	19,372,414		23,641,341
\$352,418	\$47,505	\$19,372,414	\$14,929,126	\$43,632,184

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$4,747,880	\$415,739
Interest	114,562	
Tuition and Fees	75,014	
Rent	136,481	
Extracurricular Activities		170,916
Gifts and Donations	37,642	2,959
Income Tax	890,735	
Property and Other Local Taxes	2,912,819	
Miscellaneous	1,340	
Total Revenues	<u>8,916,473</u>	<u>589,614</u>
Expenditures:		
Instruction:		
Regular	4,335,663	71,266
Special	861,937	107,628
Vocational	163,448	
Other	51,128	
Support services:		
Pupils	243,285	58,366
Instructional Staff	302,656	19,779
Board of Education	72,648	
Administration	758,871	94,934
Fiscal	230,335	
Business	19,356	
Operation and Maintenance of Plant	873,768	
Pupil Transportation	796,157	
Central		27,163
Non-Instructional Services		97,244
Extracurricular activities	280,520	89,977
Capital Outlay		8,250
Debt Service:		
Principal		
Interest		
Total Expenditures	<u>8,989,772</u>	<u>574,607</u>
Excess of Revenues Over (Under) Expenditures	<u>(73,299)</u>	<u>15,007</u>
Other Financing Sources and Uses		
Operating Transfers In		422
Proceeds from Sale of Bonds		
Refund of Prior Year's Expenditures	11,015	
Inception of Capital Lease		8,250
Advances In	5,000	5,000
Other Financing Sources		
Operating Transfers Out	(151,522)	
Advances Out	(5,000)	(5,000)
Total Other Financing Sources (Uses)	<u>(140,507)</u>	<u>8,672</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(213,806)	23,679
Fund Balance at Beginning of Year	1,069,571	83,710
Fund Balance at End of Year	<u><u>\$855,765</u></u>	<u><u>\$107,389</u></u>

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

<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
\$100,904	\$70,783		\$5,335,306
	47	\$71	114,680
			75,014
			136,481
			170,916
	50,600	500	91,701
			890,735
1,059,566	168,892		4,141,277
			1,340
<u>1,160,470</u>	<u>290,322</u>	<u>571</u>	<u>10,957,450</u>
	149,416	500	4,556,845
	1,035		969,565
			164,483
			51,128
			301,651
			322,435
			72,648
	11,090		864,895
13,242	3,828		247,405
			19,356
	57,846		931,614
			796,157
			27,163
			97,244
			370,497
	3,147,437		3,155,687
283,455			283,455
<u>640,143</u>			<u>640,143</u>
<u>936,840</u>	<u>3,370,652</u>	<u>500</u>	<u>13,872,371</u>
<u>223,630</u>	<u>(3,080,330)</u>	<u>71</u>	<u>(2,914,921)</u>
	148,000		148,422
	2,189,148		2,189,148
			11,015
			8,250
			10,000
729			729
			(151,522)
			(10,000)
<u>729</u>	<u>2,337,148</u>		<u>2,206,042</u>
224,359	(743,182)	71	(708,879)
368,978	3,194,618	5,071	4,721,948
<u>\$593,337</u>	<u>\$2,451,436</u>	<u>\$5,142</u>	<u>\$4,013,069</u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$4,615,496	\$4,747,880	\$132,384
Interest	87,000	116,009	29,009
Tuition and Fees	71,500	73,323	1,823
Rent	140,530	136,481	(4,049)
Extracurricular Activities			
Gifts and Donations	28,000	37,642	9,642
Income Tax	956,000	889,313	(66,687)
Property and Other Local Taxes	2,760,477	2,748,552	(11,925)
Miscellaneous	900	1,352	452
Total Revenues	8,659,903	8,750,552	90,649
Expenditures:			
Current:			
Instruction:			
Regular	4,516,032	4,296,504	219,528
Special	934,973	873,629	61,344
Vocational	174,110	178,957	(4,847)
Other	41,000	51,128	(10,128)
Support services:			
Pupils	256,849	253,749	3,100
Instructional Staff	312,261	296,600	15,661
Board of Education	76,491	75,507	984
Administration	763,507	750,122	13,385
Fiscal	209,534	212,043	(2,509)
Business	20,700	19,356	1,344
Operation and Maintenance of Plant	846,665	887,040	(40,375)
Pupil Transportation	815,356	797,976	17,380
Central	500		500
Non-Instructional Services			
Extracurricular activities	267,317	278,554	(11,237)
Capital Outlay			
Debt Service:			
Principal			
Interest			
Total Expenditures	9,235,295	8,971,165	264,130
Excess of Revenues Over (Under) Expenditures	(575,392)	(220,613)	354,779
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Bonds			
Proceeds from Sale of Fixed Assets	2,000		(2,000)
Refund of Prior Year Expenditures	8,000	11,015	3,015
Advances In	5,000	5,000	
Other Financing Sources			
Operating Transfers Out	(166,522)	(151,522)	15,000
Refund of Prior Year Receipts			
Advances Out	(5,000)	(5,550)	(550)
Total Other Financing Sources (Uses)	(156,522)	(141,057)	15,465
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(731,914)	(361,670)	370,244
Fund Balances at Beginning of Year	1,351,285	1,351,285	
Prior Year Encumbrances Appropriated	100,916	100,916	
Fund Balance at End of Year	\$720,287	\$1,090,531	\$370,244

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$433,102	\$392,813	(\$40,289)	\$100,384	\$100,904	\$520
205,000	170,916	(34,084)			
4,500	2,941	(1,559)			
			899,655	900,391	736
<u>642,602</u>	<u>566,670</u>	<u>(75,932)</u>	<u>1,000,039</u>	<u>1,001,295</u>	<u>1,256</u>
97,200	85,001	12,199			
155,976	108,198	47,778			
58,366	58,366				
33,347	27,198	6,149			
109,076	101,821	7,255			
			14,000	13,242	758
27,692	27,004	688			
97,244	97,244				
129,249	96,825	32,424			
			304,358	304,358	
			619,240	619,240	
<u>708,150</u>	<u>601,657</u>	<u>106,493</u>	<u>937,598</u>	<u>936,840</u>	<u>758</u>
<u>(65,548)</u>	<u>(34,987)</u>	<u>30,561</u>	<u>62,441</u>	<u>64,455</u>	<u>2,014</u>
422	422		109,358	109,358	
5,000	5,000			729	729
(5,000)	(5,000)				
<u>422</u>	<u>422</u>		<u>109,358</u>	<u>110,087</u>	<u>729</u>
(65,126)	(34,565)	30,561	171,799	174,542	2,743
55,428	55,428		290,820	290,820	
21,710	21,710				
<u>\$12,012</u>	<u>\$42,573</u>	<u>\$30,561</u>	<u>\$462,619</u>	<u>\$465,362</u>	<u>\$2,743</u>

(Continued)

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$65,309	\$70,783	\$5,474
Interest	500	47	(453)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations	50,000	50,600	600
Income Tax			
Property and Other Local Taxes	221,406	257,228	35,822
Miscellaneous			
Total Revenues	337,215	378,658	41,443
Expenditures:			
Current:			
Instruction:			
Regular	361,356	301,718	59,638
Special			
Vocational	1,715	1,600	115
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration	11,244	11,090	154
Fiscal	3,700	3,827	(127)
Business			
Operation and Maintenance of Plant	111,942	87,121	24,821
Pupil Transportation			
Central			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	4,622,565	4,612,606	9,959
Debt Service:			
Principal			
Interest			
Total Expenditures	5,112,522	5,017,962	94,560
Excess of Revenues Over (Under) Expenditures	(4,775,307)	(4,639,304)	136,003
Other Financing Sources and Uses			
Operating Transfers In	148,000	148,000	
Proceeds from Sale of Bonds	2,682,000	2,189,148	(492,852)
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances In			
Other Financing Sources			
Operating Transfers Out	(109,358)	(109,358)	
Refund of Prior Year Receipts		(562)	(562)
Advances Out			
Total Other Financing Sources (Uses)	2,720,642	2,227,228	(493,414)
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,054,665)	(2,412,076)	(357,411)
Fund Balances at Beginning of Year	329,331	329,331	
Prior Year Encumbrances Appropriated	4,353,476	4,353,476	
Fund Balance at End of Year	\$2,628,142	\$2,270,731	(\$357,411)

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

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$100	\$70	(\$30)	\$5,214,291	\$5,312,380	\$98,089
			87,600	116,126	28,526
			71,500	73,323	1,823
			140,530	136,481	(4,049)
			205,000	170,916	(34,084)
500	500		83,000	91,683	8,683
			956,000	889,313	(66,687)
			3,881,538	3,906,171	24,633
			900	1,352	452
600	570	(30)	10,640,359	10,697,745	57,386
1,350	1,350		4,975,938	4,684,573	291,365
			1,090,949	981,827	109,122
			175,825	180,557	(4,732)
			41,000	51,128	(10,128)
			315,215	312,115	3,100
			345,608	323,798	21,810
			76,491	75,507	984
			883,827	863,033	20,794
			227,234	229,112	(1,878)
			20,700	19,356	1,344
			958,607	974,161	(15,554)
			815,356	797,976	17,380
			28,192	27,004	1,188
100		100	97,344	97,244	100
			396,566	375,379	21,187
			4,622,565	4,612,606	9,959
			304,358	304,358	
			619,240	619,240	
1,450	1,350	100	15,995,015	15,528,974	466,041
(850)	(780)	70	(5,354,656)	(4,831,229)	523,427
			257,780	257,780	
			2,682,000	2,189,148	(492,852)
			2,000		(2,000)
			8,000	11,015	3,015
			10,000	10,000	
			100	729	629
100		(100)	(275,880)	(260,880)	15,000
				(562)	(562)
			(10,000)	(10,550)	(550)
100		(100)	2,674,000	2,196,680	(477,320)
(750)	(780)	(30)	(2,680,656)	(2,634,549)	46,107
4,571	4,571		2,031,435	2,031,435	
500	500		4,476,602	4,476,602	
\$4,321	\$4,291	(\$30)	\$3,827,381	\$3,873,488	\$46,107

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Revenues, Expenses and
Change in Retained Earnings - Proprietary Fund Type
For the Year Ended June 30, 2002**

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Sales	\$341,169
Operating Expenses	
Salaries	141,636
Fringe Benefits	68,604
Purchased Services	10,959
Materials and Supplies	228,282
Depreciation	14,252
Other	1,589
Capital Outlay	2,406
Total Operating Expenses	467,728
Operating Loss	(126,559)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	29,212
Federal and State Subsidies	104,227
Interest	1,275
Other	223,289
Total Non-Operating Revenues and Expenses	358,003
Net Income	231,444
Retained Earnings/Fund Balances at Beginning of Year	24,414
Retained Earnings/Fund Balances at End of Year	\$255,858

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

FULTON COUNTY

**Combined Statement of Cash Flow
Proprietary Fund Type
For the Year Ended June 30, 2002**

	Proprietary Fund Type
	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Sales	\$341,169
Cash Payments to Suppliers for Goods and Service	(200,484)
Cash Payments for Contract Services	(11,181)
Cash Payments for Employee Services	(140,999)
Cash Payments for Employee Benefits	(70,879)
Other Cash Payments	(1,589)
Net Cash Used by Operating Activities	(83,963)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	91,910
Net Cash Provided by Noncapital Financing Activities	91,910
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	1,275
Net Cash Provided by Investing Activities	1,275
<u>Cash Flows from Capital and Related Financing Activities</u>	
Payments for Capital Acquisitions	(2,406)
Net Cash Used by Capital and Related Financing Activities	(2,406)
Net Increase in Cash and Cash Equivalents	6,816
Cash and Cash Equivalents at Beginning of Year	42,101
Cash and Cash Equivalents at End of Year	\$48,917

(Continued)

FULTON COUNTY

**Combined Statement of Cash Flow
Proprietary Fund Type
For the Year Ended June 30, 2002
(Continued)**

	Proprietary Fund Type
	Enterprise
Reconciliation of Operating Loss to Net Cash Cash Used by Operating Activities:	
Operating Loss	(\$126,559)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	14,252
Donated Commodities Used During the Year	29,212
(Increase) Decrease in Assets:	
Inventory Held for Resale	(1,370)
Increase (Decrease) in Liabilities:	
Compensated Absences Payable	507
Intergovernmental Payable	(2,782)
Deferred Revenue	2,362
Accounts Payable	(222)
Accrued Wages and Benefits	637
	42,596
Total Adjustments	42,596
Net Cash Used by Operating Activities	(\$83,963)

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Evergreen Local School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Evergreen Local School District is a local school district as defined by Section 3311.03 of Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The board oversees the operations of the District's four instructional/support facilities.

The Reporting Entity

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

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by District full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility which required incorporation into the financial statements.

The School District is associated with organizations which are defined as jointly governed organizations, a related organization and insurance purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northern Buckeye Education Council's Employee Insurance Benefit Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, the Ohio School Plan, Evergreen Community Library, and a parochial school. These organizations are presented in Notes 14, 15 and 16 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed by the proprietary fund type.

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

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

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

FIDUCIARY FUNDS

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

ACCOUNT GROUPS

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

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

C. Budgetary Accounting

Budgets are adopted on a cash basis.

The Eisenhower Math and Science, Title VI-B Flow-Through, and the Preschool Disabilities special revenue funds are pass through grants in which the Northwest Ohio Educational Service Center is the primary recipient.

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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

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

An analysis of the difference between GAAP and budgetary basis for all governmental fund types for the year ended June 30, 2002 follows:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	(\$361,670)	(\$34,565)	\$174,542	(\$2,412,076)	(\$780)
Revenue Accruals	165,921	31,194	49,817	(88,336)	
Expenditure Accruals	(69,372)	(15,045)		1,499,298	
Encumbrances	51,316	42,095		257,932	851
GAAP Basis	(\$213,805)	\$23,679	\$224,359	(\$743,182)	\$71

D. Encumbrances

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

E. Cash and Cash Equivalents

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

During fiscal year 2002, investments were limited to non-negotiable certificates of deposit and STAR Ohio. Non-negotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund and food service fund during the fiscal year 2002 amounted to \$114,562 and \$1,275, respectively.

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

F. Restricted Assets

Restricted assets in the capital projects fund represent construction escrow accounts. The District is required by State statute to open construction escrow accounts once a contract is fifty percent complete. At the completion of the contract the escrow account, including interest earned, will be paid to the contractor.

G. Estimates

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

H. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for property tax advance and encumbrances. The reserve for future appropriations represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

I. Inventory

Inventory in governmental funds are stated at cost while inventory of proprietary funds are stated at the lower of cost or market. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items are recorded as expenditures in the governmental fund types when purchased. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food and purchased food and are expended when used.

J. Property, Plant and Equipment

1. General Fixed Assets Account Group

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

for assets in General Fixed Assets Account Group. The District does not have any infrastructure.

2. Proprietary Funds

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

K. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

This District currently participates in various state and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

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

Capital Projects Fund

SchoolNet Plus
Power Up Grant
Ohio SchoolNet PRAISE Grant
ONEnet Connectivity Grant
IVDL Subsidy Grant

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

Reimbursable Grants

Enterprise Fund

National School Lunch Program
Food Distribution Program

L. Interfund Transactions

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

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

M. Total Columns on Financial Statements

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

N. Compensated Absences

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

O. Pass-through Grants

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

3. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, qualified trustee, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$72,106 held in escrow which is included in the balance sheet as "restricted assets with fiscal agents".

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

Deposits

At the year end, the carrying amount of the District's deposits was \$3,344,502 and the bank balance was \$1,175,161. Of the bank balance, \$152,544 was covered by Federal Depository Insurance and \$1,022,617 was secured by pooled collateral that was held in the pledging financial institution's name. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the School District or the School District's agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department of agent but not in the School District's name. The \$972,461 carrying value in the State Treasurer's Investment Pool (STAR Ohio) represents the fair value at June 30, 2002. The School District's investments in STAR Ohio are unclassified since they are not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

	Cash and Cash Equivalents	Investments
Per GASB Statement No. 9	\$4,389,069	
Reclassifications:		
Escrow Accounts	(72,106)	
State Treasurer's Investment Pool	(972,461)	\$972,461
Per GASB Statement No. 3	\$3,344,502	\$972,461

4. INTERFUND TRANSACTIONS

The following is a reconciliation of the District's operating transfers and interfund receivable/payable for fiscal year 2002:

	Transfers In	Transfers (Out)	Interfund Receivable	Interfund Payable
General Fund		(\$151,522)	\$23,050	
Capital Projects Funds:				
Construction	\$148,000			
Enterprise Funds				(\$22,500)
Special Revenue Fund	422			
Agency Funds:				
Student Managed Activity	3,100			(550)
Totals	\$151,522	(\$151,522)	\$23,050	(\$23,050)

5. SCHOOL DISTRICT INCOME TAX

In 1990, the voters of the Evergreen Local School District passed a 3/4 percent school income tax on wages earned by residents of the District. The taxes are collected by the State Department of Taxation in the same manner as the state income tax. In the fiscal year ending June 30, 2002, the District recorded income tax revenue of \$890,735 in the General Fund, of which \$363,970 is recorded as a receivable at June 30, 2002.

6. PROPERTY TAXES

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

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

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

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

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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

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

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

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

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

Taxes receivable represent current and delinquent real property, tangible personal property, and public utility property taxes which are measurable at June 30, 2002. These taxes are intended to finance the next fiscal year's operations, and are therefore offset by a credit to deferred revenue, except for the portion which is available to advance as of June 30, 2002.

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

	<u>Amount</u>
Agricultural/Residential	\$108,055,170
Commercial/Industrial	5,052,710
Public Utility Real Property	56,000
Public Utility Personal Property	13,898,590
General Personal Property	<u>5,794,869</u>
Total Assessed Value	<u><u>\$132,857,339</u></u>

7. FIXED ASSETS

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

<u>GFAAG</u>	<u>Balance at 7/1/01</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance at 6/30/02</u>
Land and Land Improvements	\$565,258	\$638,584		\$1,203,842
Buildings	3,203,298	11,220,499	\$17,178	14,406,619
Furniture, Fixtures and Equipment	1,503,283	415,358	5,214	1,913,427
Vehicles	1,166,543	126,789	33,540	1,259,792
Textbooks and Library Books	577,842	47,198	36,306	588,734
Construction in Progress	<u>7,465,269</u>		<u>7,465,269</u>	
Total	<u><u>\$14,481,493</u></u>	<u><u>\$12,448,428</u></u>	<u><u>\$7,557,507</u></u>	<u><u>\$19,372,414</u></u>

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

A summary of the Enterprise Fund fixed assets follows:

<u>PROPRIETARY</u>	<u>Balance at 7/1/01</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance at 6/30/02</u>
Furniture, Fixtures and Equipment	\$219,569	\$224,849	\$1,127	\$443,291
Accumulated Depreciation	160,617	14,252	1,127	173,742
Net	<u>\$58,952</u>	<u>\$210,597</u>		<u>\$269,549</u>

8. LONG-TERM OBLIGATIONS

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

	<u>Balance at 7/1/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/02</u>
General Obligation Bonds	\$12,340,909	\$76,789	\$283,455	\$12,134,243
Bond Anticipation Notes		\$2,182,000		2,182,000
Pension Obligation	67,409	72,241	67,409	72,241
Capital Leases		8,250		8,250
Compensated Absences	542,075		9,683	532,392
Total	<u>\$12,950,393</u>	<u>\$2,339,280</u>	<u>\$360,547</u>	<u>\$14,929,126</u>

Debt outstanding at June 30, 2002 includes Energy Conservation bonds totaling \$322,936 (interest rates at June 30, 2002 were 5.3 percent to 5.65 percent). The Energy Conservation bonds were issued in 1993, 1994, and 1996 and will mature in December 2003, 2004, and 2006, respectively.

On May 4, 1999 a bond issue for the purpose of renovating, rehabilitating, adding to, constructing, furnishing, equipping and otherwise improving school facilities acquiring and improving their sites was passed. Series 1999 School Improvement Bonds were issued September 8, 1999 for \$11,999,954 with interest rates ranging from 3.75 to 5.625 percent. The bond issue included serial, term and capital appreciation bonds. Current interest serial bonds mature annually from 2000 through 2014. Current interest terms bonds mature in 2019 and 2024. Capital appreciation bonds mature in 2006, 2007, and 2008. The maturity amount of the capital appreciation bonds is \$1,275,000. For fiscal year 2002, \$76,789 was accreted for a total capital appreciation bond value of \$396,308.

During FY02 the District entered into a capital lease agreement for the purchase of a mower in the amount of \$8,250 to be paid off in FY04. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group. A corresponding liability was recorded in the General Long-Term Obligations Account Group.

Total expenditures for interest for the above debt for the period ended June 30, 2002 was \$716,932.

The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

Year Ending June 30	Principal	Interest	Total
2003	\$303,101	\$651,692	\$954,793
2004	368,235	611,031	979,266
2005	363,521	593,595	957,116
2006	360,501	576,427	936,928
Thereafter	10,738,885	6,924,584	17,663,469
Total	<u>\$12,134,243</u>	<u>\$9,357,329</u>	<u>\$21,491,572</u>

On May 7, 2002 school district residents approved a \$2,182,000 bond issue to pay the local share of school construction of a new elementary and renovation of a middle school under the Ohio School Facilities Commission Exceptional Need Project. Bond anticipation notes for \$2,182,000 were issued on June 26, 2002 and mature on December 10, 2002. General obligation classroom facilities improvement bonds totaling \$2,182,000 were issued October 17, 2002. The bond anticipation notes satisfy the conditions of FASB 6 - Classification of Short-Term Obligations Expected to be Refinanced, and are classified as part of the General Long Term Obligation Account Group.

9. COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. Employees with less than one year of service earn 10 vacation days per year. However, the accumulated leave cannot be used until after one year of service. The Superintendent and Treasurer are permitted to carry over vacation leave.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to a certified employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 50 days. The amount paid to a non-certified employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum of 33 days. After five years of continuous service with the School District, a retiring non-certified employee is entitled to receive \$20 per day for his/her accumulation of unused sick leave between the 132nd and the 240th day.

At June 30, 2002 the current amount of unpaid compensated absences in all funds, except for the proprietary funds, and the balance of the liability in the General Long-Term Obligation Account Group were \$14,510 and \$532,392, respectively. The liability for compensated absences in the proprietary funds at June 30, 2002 was \$19,832.

10. PENSION AND RETIREMENT PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for the fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$201,075, \$185,999, and \$178,439, respectively; equal to 100 percent of the required contributions for each year.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$482,044, \$411,015, and \$244,854, respectively, equal to 100 percent of the required contributions for each year.

11. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$228,336 during the 2002 fiscal year. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 million at June 30, 2001 (the latest information available). For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

For fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$159,405 for fiscal year 2002.

The surcharge added to the unallocated portion of 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS had approximately 50,000 participants currently receiving health care benefits.

12. RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully considered.

Coverage provided by Ohio School Plan	
General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Coverage provided by Hartford Insurance	
Blanket Property Insurance (\$1,000 deductible)	\$32,779,644
Coverage provided by Ohio School Plan	
Auto Coverage	
Liability	\$1,000,000
Auto Medical Payment	5,000

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

B. Employee Insurance Benefits Program

The District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (the Program), a public entity shared risk pool consisting of school districts within Defiance, Fulton, Henry, and Williams Counties and other eligible governmental entities. The District pays monthly premiums to the Northern Buckeye Education Council (NBEC) for the benefits offered to its employees which include health, dental, vision and life insurance. NBEC is responsible for the management and operations of the program. The agreement for the Program provides for additional assessments to participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

C. Workers' Compensation Group Program

The District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool (Note 15). The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate.

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

13. ENTERPRISE FUNDS SEGMENT INFORMATION

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

	Food Service	Adult Education	Total
Operating Revenues	\$341,169		\$341,169
Depreciation	14,252		14,252
Operating Loss	(126,559)		(126,559)
Donated Commodities	29,212		29,212
Grants	104,227		104,227
Net Income	231,444		231,444
Fixed Asset Additions	224,849		224,849
Net Working Capital	16,172	\$631	16,803
Total Assets	351,787	631	352,418
Total Liabilities	96,560		96,560
Total Equity	255,227	631	255,858

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The School District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas, Wood, and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NWOCA during this fiscal year were \$114,639. Financial information can be obtained from Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among various educational entities located in Defiance, Fulton, Henry, and Williams counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the four counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. Total disbursements made by the School District to NBEC during the fiscal year ending June 30, 2002 were \$250. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

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

15. INSURANCE PURCHASING POOLS

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

Northern Buckeye Education Council Employee Insurance Benefits Program (the Pool) is a public entity shared risk pool consisting of educational entities located in Defiance, Fulton, Henry, and Williams counties. The Pool is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the School District to NBEC for employee insurance benefits during fiscal year ending June 30, 2002 were \$797,327. Financial information can be obtained from Northern Buckeye Education Council, Cindy Siler, who serves as treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. NBEC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The WCGRP is governed by the Northern Buckeye Education Council and the participating members of the WCGRP. The Executive Director of the NBEC coordinates the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover costs of administering the program. During fiscal year ending June 30, 2002, the School District paid an enrollment fee of \$886 to WCGRP to cover costs of administering the program.

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum - Hyre Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members, financial information can be obtained from Harcum -Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

16. RELATED ORGANIZATION

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

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

17. STATE SCHOOL FUNDING DECISION

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

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

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

**EVERGREEN LOCAL SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

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

	Textbooks	Capital Acquisition
Set-aside Balance as of June 30, 2001	(\$87,336)	
Current Year Set-aside Requirement	152,022	\$152,022
Current Year Offsets		(152,022)
Qualifying Disbursements	(278,916)	
Balance Carried Forward to FY 2003	(\$214,230)	

Although the School District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

19. OPERATING LEASES

The School District is obligated under leases for copy and risograph machines accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the General Fixed Asset Account Group. Total disbursements for operating leases during the fiscal year ending June 30, 2002 was \$40,132.



**Auditor of State
Betty Montgomery**

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of Evergreen Local School District (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 16, 2003.

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

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

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

Betty Montgomery
Auditor of State

January 16, 2003



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

EVERGREEN LOCAL SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 18, 2003**