



**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY**

SINGLE AUDIT

JULY 1, 1998 THROUGH JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups June 30, 1999	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 1999	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 1999	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings Proprietary Fund Type - For the Fiscal Year Ended June 30, 1999	10
Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Budgetary Basis) and Actual - Proprietary Fund Type - For the Fiscal Year Ended June 30, 1999	11
Combined Statement of Cash Flows - Proprietary Fund Type For the Fiscal Year Ended June 30, 1999	12
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Receipts and Expenditures	37
Notes to Schedule of Federal Awards Expenditures	38
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39
Report on Compliance with Requirements Applicable to the Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	41
Schedule of Findings	43
Status of Prior Years Findings	45

THIS PAGE LEFT BLANK INTENTIONALLY



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Yellow Springs Exempted Village School District
Greene County
201 S. Walnut Street
Yellow Springs, Ohio 45387

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Yellow Springs Exempted Village School District, Greene County, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Yellow Springs Exempted Village School District, Greene County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type and for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 1999, 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 grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

JIM PETRO
Auditor of State

December 30, 1999

Yellow Springs Exempted Village School District

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999

	GOVERNMENTAL FUND TYPES		
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS
<u>Assets and Other Debits</u>			
Assets:			
Equity in Pooled Cash and Cash Equivalents	\$793,556	\$125,613	\$401,044
Receivables:			
Taxes	3,284,823	0	120,595
Accounts	18,412	426	101
Intergovernmental	0	0	0
Interfund	2,985	0	0
Inventory of Supplies and Materials	0	0	0
Inventory Held for Resale	0	0	0
Prepaid Items	1,476	0	0
Restricted Assets:			
Equity Pooled in Cash and Cash Equivalent	126,978	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount Available in Debt Service Fund for Retirement of General Long-Term Debt	0	0	0
Amount to be Provided for Retirement of General Long-Term Debt	0	0	0
Total Assets and Other Debits	<u>\$4,228,230</u>	<u>\$126,039</u>	<u>\$521,740</u>
<u>Liabilities, Fund Equity and Other Credits</u>			
Liabilities:			
Accounts Payable	\$58,244	\$23,601	\$2,531
Accrued Wages and Benefits Payable	385,756	6,494	0
Intergovernmental Payable	108,542	1,386	0
Due to Students	0	0	0
Deferred Revenue	2,695,012	0	98,892
Compensated Absences Payable	25,865	0	0
Interfund Payable	0	2,985	0
Notes Payable	0	0	338,000
Capital Leases Payable	0	0	0
Energy Conservation Loan Payable	0	0	0
Total Liabilities	<u>3,273,419</u>	<u>34,466</u>	<u>439,423</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets	0	0	0
Contributed Capital	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	97,861	20,357	79,801
Reserved for Taxes	589,811	0	21,703
Reserved for Budget Stabilization	59,683	0	0
Reserved for Textbooks	29,510	0	0
Reserved for Bus Purchases	37,785	0	0
Unreserved:			
Undesignated (Deficit)	140,161	71,216	(19,187)
Total Fund Equity and Other Credits	<u>954,811</u>	<u>91,573</u>	<u>82,317</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,228,230</u>	<u>\$126,039</u>	<u>\$521,740</u>

See Accompanying Notes to the General Purpose Financial Statements

PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPES	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$27,321	\$15,786	\$0	\$0	\$1,363,320
0	0	0	0	3,405,418
0	0	0	0	18,939
1,764	0	0	0	1,764
0	0	0	0	2,985
442	0	0	0	442
1,712	0	0	0	1,712
0	0	0	0	1,476
0	0	0	0	126,978
3,812	0	10,631,110	0	10,634,922
0	0	0	0	0
0	0	0	628,288	628,288
<u>\$35,051</u>	<u>\$15,786</u>	<u>\$10,631,110</u>	<u>\$628,288</u>	<u>\$16,186,244</u>
\$4,574	\$0	\$0	\$0	\$88,950
0	0	0	0	392,250
971	0	0	41,240	152,139
0	13,681	0	0	13,681
613	0	0	0	2,794,517
0	0	0	327,389	353,254
0	0	0	0	2,985
0	0	0	0	338,000
0	0	0	46,659	46,659
0	0	0	213,000	213,000
<u>6,158</u>	<u>13,681</u>	<u>0</u>	<u>628,288</u>	<u>4,395,435</u>
0	0	10,631,110	0	10,631,110
4,309	0	0	0	4,309
24,584	0	0	0	24,584
0	0	0	0	198,019
0	0	0	0	611,514
0	0	0	0	59,683
0	0	0	0	29,510
0	0	0	0	37,785
0	2,105	0	0	194,295
<u>28,893</u>	<u>2,105</u>	<u>10,631,110</u>	<u>0</u>	<u>11,790,809</u>
<u>\$35,051</u>	<u>\$15,786</u>	<u>\$10,631,110</u>	<u>\$628,288</u>	<u>\$16,186,244</u>

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES	TOTAL (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECTS	EXPENDABLE TRUST	
Revenues:					
Taxes	\$3,568,525	\$0	\$176,958	\$0	\$3,745,483
Intergovernmental	1,276,804	311,688	16,646	0	1,605,138
Tuition and Fees	5,901	5	0	0	5,906
Interest	69,730	0	0	0	69,730
Extracurricular Activities	0	61,250	0	0	61,250
Gifts and Donations	0	5,116	17,100	0	22,216
Rent	73,925	200	0	0	74,125
Customer Services	221,270	0	0	0	221,270
Miscellaneous	18,311	414	101	0	18,826
Total Revenues	<u>5,234,466</u>	<u>378,673</u>	<u>210,805</u>	<u>0</u>	<u>5,823,944</u>
Expenditures:					
Current:					
Instruction:					
Regular	2,355,525	286,136	37,455	0	2,679,116
Special	273,236	86,276	0	1,155	360,667
Other	254,293	0	0	0	254,293
Support Services:					
Pupils	116,397	4,703	0	0	121,100
Instructional Staff	273,670	18,689	0	0	292,359
Board of Education	24,249	0	0	0	24,249
Administration	531,577	4,361	0	0	535,938
Fiscal	177,235	0	2,919	0	180,154
Operation and Maintenance of Plant	448,225	0	0	0	448,225
Pupil Transportation	160,912	0	0	0	160,912
Central	1,272	16,046	0	0	17,318
Operation of Non-Instructional Services	1,118	0	0	0	1,118
Extracurricular Activities	98,595	64,035	0	0	162,630
Capital Outlay	63,894	0	207,413	0	271,307
Debt Service:					
Principal Retirement	111,706	0	0	0	111,706
Interest and Fiscal Charges	20,773	0	1,850	0	22,623
Total Expenditures	<u>4,912,677</u>	<u>480,246</u>	<u>249,637</u>	<u>1,155</u>	<u>5,643,715</u>
Excess of Revenues Over (Under) Expenditures	<u>321,789</u>	<u>(101,573)</u>	<u>(38,832)</u>	<u>(1,155)</u>	<u>180,229</u>
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	1,206	0	0	0	1,206
Inception of Capital Lease	54,492	0	0	0	54,492
Operating Transfers - In	0	24,965	0	0	24,965
Operating Transfers - Out	<u>(24,965)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(24,965)</u>
Total Other Financing Sources (Uses)	<u>30,733</u>	<u>24,965</u>	<u>0</u>	<u>0</u>	<u>55,698</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>352,522</u>	<u>(76,608)</u>	<u>(38,832)</u>	<u>(1,155)</u>	<u>235,927</u>
Fund Balances at Beginning of Year	<u>602,289</u>	<u>168,181</u>	<u>121,149</u>	<u>3,260</u>	<u>894,879</u>
Fund Balances at End of Year	<u>\$954,811</u>	<u>\$91,573</u>	<u>\$82,317</u>	<u>\$2,105</u>	<u>\$1,130,806</u>

See Accompanying Notes to the General Purpose Financial Statements

THIS PAGE LEFT BLANK INTENTIONALLY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:						
Taxes	\$3,227,729	\$3,171,459	(\$56,270)	\$0	\$0	\$0
Intergovernmental	1,277,474	1,277,474	0	436,252	318,724	(117,528)
Tuition and Fees	4,526	4,526	0	5	5	0
Interest	69,730	69,730	0	0	0	0
Extracurricular Activities	0	0	0	61,773	61,773	0
Gifts and Donations	0	0	0	5,116	5,116	0
Rent	73,925	73,925	0	200	200	0
Customer Services	221,270	221,270	0	0	0	0
Miscellaneous	1,811	1,811	0	159	168	9
Total Revenues	<u>4,876,465</u>	<u>4,820,195</u>	<u>(56,270)</u>	<u>503,505</u>	<u>385,986</u>	<u>(117,519)</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,440,337	2,440,658	(321)	318,188	337,130	(18,942)
Special	268,126	268,126	0	86,920	86,097	823
Other	205,898	205,898	0	0	0	0
Support Services:						
Pupils	115,555	115,628	(73)	4,680	4,680	0
Instructional Staff	280,469	280,394	75	6,703	17,931	(11,228)
Board of Education	28,180	28,180	0	0	0	0
Administration	559,194	559,194	0	4,011	4,499	(488)
Fiscal	189,227	189,227	0	0	0	0
Operation and Maintenance of Plant	451,728	451,728	0	0	0	0
Pupil Transportation	159,937	159,937	0	0	0	0
Central	1,125	1,125	0	15,696	16,517	(821)
Operation of Non-Instructional Services	2,408	2,408	0	0	0	0
Extracurricular Activities	98,264	98,264	0	80,801	80,801	0
Capital Outlay	15,370	15,370	0	0	0	0
Debt Service:						
Principal Retirement	95,141	95,141	0	0	0	0
Interest and Fiscal Charges	17,999	17,999	0	0	0	0
Total Expenditures	<u>4,928,958</u>	<u>4,929,277</u>	<u>(319)</u>	<u>516,999</u>	<u>547,655</u>	<u>(30,656)</u>
Excess of Revenues Under Expenditures	<u>(52,493)</u>	<u>(109,082)</u>	<u>(56,589)</u>	<u>(13,494)</u>	<u>(161,669)</u>	<u>(148,175)</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Fixed Assets	1,206	1,206	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	3,286	4,278	992	0	0	0
Operating Transfers - In	0	0	0	0	12,000	12,000
Operating Transfers - Out	(12,000)	(12,000)	0	0	0	0
Advances - In	0	0	0	0	2,985	2,985
Advances - Out	0	(2,985)	(2,985)	0	0	0
Other Financing Sources	0	0	0	12,451	12,451	0
Total Other Financing Sources (Uses)	<u>(7,508)</u>	<u>(9,501)</u>	<u>(1,993)</u>	<u>12,451</u>	<u>27,436</u>	<u>14,985</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(60,001)</u>	<u>(118,583)</u>	<u>(58,582)</u>	<u>(1,043)</u>	<u>(134,233)</u>	<u>(133,190)</u>
Fund Balances at Beginning of Year	835,071	835,071	0	91,767	91,767	0
Prior Year Encumbrances Appropriated	62,872	62,872	0	127,127	127,127	0
Fund Balances at End of Year	<u>\$837,942</u>	<u>\$779,360</u>	<u>(\$58,582)</u>	<u>\$217,851</u>	<u>\$84,661</u>	<u>(\$133,190)</u>

See Accompanying Notes to the General Purpose Financial Statements

CAPITAL PROJECTS FUNDS			EXPENDABLE TRUST FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
\$233,223	\$168,245	(\$64,978)	\$0	\$0	\$0
34,546	16,646	(17,900)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
17,100	17,100	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>284,869</u>	<u>201,991</u>	<u>(82,878)</u>	<u>0</u>	<u>0</u>	<u>0</u>
71,654	71,654	0	0	0	0
0	0	0	1,155	1,155	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
2,919	2,919	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
253,015	253,015	0	0	0	0
89,000	89,000	0	0	0	0
4,521	4,521	0	0	0	0
<u>421,109</u>	<u>421,109</u>	<u>0</u>	<u>1,155</u>	<u>1,155</u>	<u>0</u>
<u>(136,240)</u>	<u>(219,118)</u>	<u>(82,878)</u>	<u>(1,155)</u>	<u>(1,155)</u>	<u>0</u>
0	0	0	0	0	0
338,000	338,000	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>338,000</u>	<u>338,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
201,760	118,882	(82,878)	(1,155)	(1,155)	0
101,522	101,522	0	3,260	3,260	0
98,308	98,308	0	0	0	0
<u>\$401,590</u>	<u>\$318,712</u>	<u>(\$82,878)</u>	<u>\$2,105</u>	<u>\$2,105</u>	<u>\$0</u>

COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Enterprise Funds

Operating Revenues:	
Sales	\$70,768
Charges for Services	303
Total Operating Revenues	<u>71,071</u>
Operating Expenses:	
Purchased Services	41,314
Supplies and Materials	5,224
Cost of Sales	38,029
Depreciation	3,955
Total Operating Expenses	<u>88,522</u>
Operating Loss	<u>(17,451)</u>
Non-Operating Revenues (Expenses):	
Federal and State Subsidies	15,308
Federal Donated Commodities	4,752
Total Non-Operating Revenues (Expenses)	<u>20,060</u>
Net Income	2,609
Retained Earnings at Beginning of Year	<u>21,975</u>
Retained Earnings at End of Year	24,584
Contributed Capital at Beginning and End of Year	4,309
Total Fund Equity at End of Year	<u><u>\$28,893</u></u>

See Accompanying Notes to the General Purpose Financial Statements

COMBINED STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Enterprise Funds

	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
Sales	\$70,768	\$70,768	\$0
Charges for Services	303	303	0
Federal and State Subsidies	17,131	17,131	0
Total Revenues	<u>88,202</u>	<u>88,202</u>	<u>0</u>
Expenses:			
Purchased Services	78,091	78,091	0
Supplies and Materials	536	536	0
Total Expenses	<u>78,627</u>	<u>78,627</u>	<u>0</u>
Excess of Revenues Over Expenses	9,575	9,575	0
Fund Equity at Beginning of Year	17,746	17,746	0
Fund Equity at End of Year	<u>\$27,321</u>	<u>\$27,321</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements

COMBINED STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999

Enterprise Funds

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$71,071
Cash Payments to Suppliers for Goods and Services	<u>(78,627)</u>
Net Cash Used in Operating Activities	<u>(7,556)</u>
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	<u>17,131</u>
Net Cash Provided By Noncapital Financing Activities	<u>17,131</u>
Net Increase in Cash and Cash Equivalents	9,575
Cash and Cash Equivalents Beginning of Year	<u>17,746</u>
Cash and Cash Equivalents End of Year	<u><u>\$27,321</u></u>
Reconciliation of Operating Loss to Net	
<u>Cash Used in Operating Activities:</u>	
Operating Loss	(\$17,451)
Adjustments to Reconcile Operating Loss to	
Net Cash Used in Operating Activities:	
Depreciation	3,955
Donated Commodities Received	4,752
Changes in Assets and Liabilities:	
Decrease in Supplies Inventory	113
Increase in Inventory Held for Resale	(505)
Increase in Accounts Payable	4,575
Decrease in Intergovernmental Payable	<u>(2,995)</u>
Net Cash Used for Operating Activities	<u><u>(\$7,556)</u></u>

See Accompanying Notes to the General Purpose Financial Statements

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The School District is staffed by 25 non-certificated employees, 61 certificated full time teaching personnel and 4 administrative employees to provide services to 696 students and other community members. The School District currently operates 2 instructional/support facilities.

Reporting Entity:

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Yellow Springs Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District does not have any component units.

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, the Greene County Career Center and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program. These organizations are presented in Notes 17 and 18 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Yellow Springs Exempted Village School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to the enterprise funds provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis Of Presentation - Fund Accounting

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)_

A. Basis Of Presentation - Fund Accounting (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

Governmental Fund Types:

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest and related costs.

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

Proprietary Fund Type:

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

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

Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust and agency funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting (Continued)

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.

Account Groups:

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

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

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

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust fund 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 enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: tuition, grants, interfund, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes by the enterprise funds. Revenues are recognized in the accounting period in which they are earned, and 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.

C. Budgetary Process

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

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

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Greene County Budget Commission for rate determination.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process (Continued)

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

Encumbrances:

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

Lapsing of Appropriations:

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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

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

During fiscal year 1999, investments were limited to a money market mutual fund and repurchase agreements. Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents (Continued)

The Board of Education has, by resolution, specified the general fund to receive interest earnings. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$69,730, which includes \$21,121 assigned from other School District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with 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.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of enterprise funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of enterprise funds consist of donated food and purchased food and are expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and as an expenditure/expense is reported in the year in which services are consumed.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of 8 to 20 years.

Interest incurred during the construction of general fixed assets is also not capitalized.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Program

Non-Reimbursable Grants

Special Revenue Funds

Venture Capital
Data Communications
Professional Development Block Grant
MLS Model Gifted Project
Education Management Information Systems
Instructional Textbooks
Disadvantaged Pupil Impact Act
Title VI-B
Title I
Title VI
Drug Free Grant
Raising the Bar
Library Grant
Serve America Grant

Capital Projects Funds

School Net
School Net Plus

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately twenty-nine percent of the School District's operating revenue during the 1999 fiscal year.

I. Interfund Assets/Liabilities

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School 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 School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of current service with the School District.

For governmental funds, the School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences, contractually required pension contributions and capital leases that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are considered not to have been paid using current available financial resources. Capital leases and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term obligations financed by enterprise funds are reported as liabilities in the appropriate funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, taxes, budget stabilization, textbook purchases and school bus purchases.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves (Continued)

The reserve for taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

N. Contributed Capital

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation of those assets acquired or constructed with contributed capital is expensed and closed to unreserved retained earnings at year end. There was no change in contributed capital during this fiscal year.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1995, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying financial statements. All other fund equity amounts pertaining to enterprise funds have been classified as retained earnings.

O. Restricted Assets

Restricted assets in the general fund are cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent resources restricted for the purchase of buses, and amounts required by statute to be set-aside by the School District for the purchase of textbooks and to create a reserve for budget stabilization. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

P. Total Columns on General Purpose Financial Statements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 1999, the Title I fund and Title II fund had deficit fund balances of \$1,073 and \$23 respectively, which were created by the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

Contrary to Section 5705.41(B), Ohio Revised Code, the following accounts had expenditures plus encumbrances in excess of appropriations:

<u>Fund Type/Fund/Function</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds			
Venture Capital Fund			
Support Services - Administration Purchased Services	1,876	2,365	(489)
Support Services - Central Salaries	8,179	9,000	(821)
Instructional Textbooks Fund			
Regular Instruction Material and Supplies	7,263	7,352	(89)
Title I Fund			
Support Services - Instructional Staff Salaries	0	954	(954)

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
4. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances are operating transactions (budget basis) as opposed to balance sheet transactions.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (Continued)

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Capital Projects	Expendable Trust
GAAP Basis	\$352,522	(\$76,608)	(\$38,832)	(\$1,155)
Revenue Accruals	(464,485)	19,764	(8,814)	0
Expenditure Accruals	123,098	(26,457)	(140)	0
Prepaid Items	1,476	0	0	0
Note Proceeds	0	0	338,000	0
Note Retirement	0	0	(89,000)	0
Transfers	12,965	(12,965)	0	0
Advances	(2,985)	2,985	0	0
Encumbrances	(141,174)	(40,952)	(82,332)	0
Budget Basis	(\$118,583)	(\$134,233)	\$118,882	(\$1,155)

Net Income/Excess of Revenues Over Expenses
All Enterprise Funds

	Enterprise
GAAP Basis	\$2,609
Revenue Accruals	(2,929)
Expense Accruals	5,548
Materials and Supplies Inventory	(113)
Inventory Held for Resale	505
Depreciation	3,955
Budget Basis	\$9,575

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

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 accounts, including passbook accounts.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation, 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 and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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 (STAROhio); and,
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements."

Deposits: At year end, the carrying amount of the School District's deposits was \$730 and the bank balance was \$37,222. All of the bank balance was covered by federal depository insurance.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments 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 or agent but not in the School District's name. Investments in mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Money Market Mutual Fund	\$0	\$655,812	\$655,812
Repurchase Agreement	833,756	833,756	850,431
	\$1,489,568	\$1,489,568	\$1,506,243

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$1,490,298	\$0
Investments:		
Money Market Mutual Fund	(655,812)	655,812
Repurchase Agreement	(833,756)	833,756
GASB Statement No. 3	\$730	\$1,489,568

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999 and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1998, on the value as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 6 - PROPERTY TAXES (Continued)

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999, was \$589,811 in the general fund and \$21,703 in the permanent improvement capital projects fund.

The assessed values upon which fiscal year 1999 taxes were collected are:

	1998 Second- Half Collections		1999 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$71,109,740	85.39%	\$72,111,680	84.49%
Public Utility	3,370,320	4.05	3,749,810	4.40
Tangible Personal Property	8,793,235	10.56	9,483,133	11.11
Total Assessed Value	<u>\$83,273,295</u>	<u>100.00%</u>	<u>\$85,344,623</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$74.45		 \$72.45	

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999, consisted of property taxes, accounts (rent, billings for user charged services, and student fees), interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Intergovernmental receivables accrued in the food service enterprise fund were for state and federal reimbursements in the amounts of \$165 and \$1,599, respectively.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 8 - FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 1999, follows:

Furniture and Equipment	\$108,858
Less Accumulated Depreciation	<u>(105,046)</u>
Net Fixed Assets	<u><u>\$3,812</u></u>

A summary of the changes in general fixed assets during fiscal year 1999 follows:

<u>Asset Category</u>	<u>Balance at 6/30/98</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/99</u>
Land and Improvements	\$5,632,404	\$0	\$16,602	\$5,615,802
Buildings and Improvements	3,218,790	124,251	0	3,343,041
Furniture, Fixtures and Equipment	1,155,074	338,159	105,170	1,388,063
Vehicles	264,504	19,700	0	284,204
Totals	<u><u>\$10,270,772</u></u>	<u><u>\$482,110</u></u>	<u><u>\$121,772</u></u>	<u><u>\$10,631,110</u></u>

NOTE 9 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Indiana Insurance Company with a \$13,845,460 aggregate limit and holds a \$1,000 deductible.

The School District's vehicles are covered under a business policy with Indiana Insurance company which carries a \$1,000,000 limit on any accident with a \$1,000 deductible.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

B. Workers' Compensation

For fiscal year 1999, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, provides administrative, cost control, and actuarial services to the Plan.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$42,584, \$49,415 and \$51,308 respectively; 32.61 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$28,697 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$132,315, \$245,762 and \$268,501 respectively; 81.28 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$24,770 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 11 - POSTEMPLOYMENT BENEFITS (Continued)

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS 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 the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$176,421 for fiscal year 1999.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. 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 1999, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$41,297.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 125 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 work days for classified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days. Sick leave may be accumulated up to a maximum of 240 work days for certified personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days.

Teachers, administrators, and classified employees earn three personal leave days per year. Teacher may accumulate unused personal leave for the purpose of severance pay only. Upon retirement, teaching bargaining unit members receive \$70 and non-teaching bargaining unit members receive \$100 for each accumulated day of personal leave.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 12 - EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The School District provides life insurance, dental insurance and prescription drug to its employees through CoreSource. The School District has elected to provide employee medical/surgical benefits through either United Health Care or Anthem Blue Cross/Blue Shield.

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

During fiscal year 1999 and in prior years, the School District has entered into capitalized leases for copiers and telephone equipment. On a GAAP basis the new lease is classified as a capital outlay expenditure in the general fund with an offsetting amount reported as an other financing source. The capitalized lease for copiers was paid off in fiscal year 1999. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the general fund. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$54,492. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 1999 totaled \$16,565 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending June 30,	GLTDAG
2000	\$12,639
2001	12,639
2002	12,639
2003	12,639
2004	3,160
Total	53,716
Less: Amount Representing Interest	(7,057)
Present Value of Net Minimum Lease Payments	\$46,659

NOTE 14 - FUND OBLIGATIONS

The changes in the School District's short-term obligations during fiscal year 1999 were as follows:

	Principal Outstanding 6/30/98	Additions	Deductions	Principal Outstanding 6/30/99
Tax Anticipation Notes - 1994 - 3.46% to 5.10%	\$89,000	\$0	\$89,000	\$0
Tax Anticipation Notes - 1999 - 3.99%	0	338,000	0	338,000

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 14 - FUND OBLIGATIONS (Continued)

In 1994 and 1999, the School District issued tax anticipation notes in the amount of \$445,000 and \$338,000, respectively, for the purpose of permanent improvements. The School District retired the remaining \$89,000 of the 1994 issue in fiscal year 1999. The final payment on the 1999 note will be made in 2004. These notes are retired from the capital projects fund.

Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 1999 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$67,600	\$13,486	\$81,086
2001	67,600	10,789	78,389
2002	67,600	8,092	75,692
2003	67,600	5,394	72,994
2004	67,600	2,697	70,297
Total	<u>\$338,000</u>	<u>\$40,458</u>	<u>\$378,458</u>

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 1999 were as follows:

	<u>Amount Outstanding 6/30/98</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/99</u>
Energy Conservation Loan 1994-1999 5.75%	\$59,641	\$0	\$59,641	\$0
Energy Conservation Loan 1994-2004 5.84%	248,500	0	35,500	213,000
Capital Leases	8,732	54,492	16,565	46,659
Pension Obligation	36,505	41,240	36,505	41,240
Compensated Absences	315,906	11,483	0	327,389
Total General Long-Term Obligations	<u>\$669,284</u>	<u>\$107,215</u>	<u>\$148,211</u>	<u>\$628,288</u>

Energy Conservation Loans

Yellow Springs Exempted Village School District issued a total of \$593,566 in unvoted general obligation loans for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loans were issued with final maturity during fiscal year 2006. The debt will be retired from the general fund with savings which are anticipated from the energy conservation improvements.

Capital leases will be paid from the general fund. Intergovernmental payable and compensated absences will be paid from the fund from which the employees' salaries are paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period.

The School District's overall legal debt margin was \$7,702,453, the energy conservation debt margin was \$555,102 and the unvoted debt margin was \$85,345 at June 30, 1999.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire energy conservation notes outstanding at June 30, 1999 are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$35,500	\$12,439	\$47,939
2001	35,500	10,366	45,866
2002	35,500	8,293	43,793
2003	35,500	6,220	41,720
2004	35,500	4,146	39,646
2005	35,500	2,073	37,573
Total	<u>\$213,000</u>	<u>\$43,537</u>	<u>\$256,537</u>

NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and school employability lab. The table below reflects the more significant financial data relating to the enterprise funds of the Yellow Springs Exempted Village School District as of and for the fiscal year ended June 30, 1999.

<u></u>	<u>Food Service</u>	<u>YSHS/ McKinney School Employability Lab</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$70,768	\$303	\$71,071
Depreciation Expense	3,955	0	3,955
Operating Income (Loss)	(17,548)	97	(17,451)
Donated Commodities	4,752	0	4,752
Federal and State Subsidies	15,308	0	15,308
Net Income (Loss)	2,512	97	2,609
Net Working Capital	24,834	247	25,081
Total Assets	34,804	247	35,051
Total Equity	28,646	247	28,893

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

Miami Valley Educational Computer Association (MVECA) - The School District is a participant in MVECA which is a computer consortium. MVECA is an association of public school districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative instructional functions among member districts. The Assembly of MVECA consists of the superintendent and treasurer from each of the participating members.

MVECA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid MVECA \$6,569 for services provided during the year. Complete financial statements can be obtained from MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The Montgomery County Educational Service Center acts as the Fiscal Agent for the group. The purpose of the council is to obtain reduced prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts by the Fiscal Agent. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 1999, the Yellow Springs Exempted Village School District paid \$933 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

Southwestern Ohio Instructional Technology Association - The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation formed under Section 1702.01 of the Ohio Revised Code. The purpose of the corporation is to serve the educational needs of the area through television programming for the advancement of educational programs.

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representative per area. All others elect one representative per area. All superintendents except for those from educational service centers vote on the representatives after the nominating committee nominates individuals to run.

One at-large non-public representative is elected by the non-public school SOITA members for the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose.

Greene County Career Center - The Greene 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 seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. During fiscal year 1999, the Yellow Springs Exempted Village School District did not make any contributions to the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Steve Sutcliffe, who serves as treasurer, at 2960 W. Enon Rd., Xenia, OH 45385.

NOTE 18 - GROUP PURCHASING POOL

Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan - The School District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating School Districts pay an enrollment to the GRP to cover the costs of administering the program.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 19 - 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. The School District is also required to set aside money for budget stabilization. The School District also receives grant monies for school bus purchases. This amount is shown as a reserve for bus purchases.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1998	\$0	\$0	\$19,514	\$19,514
Current Year Set-aside Requirement	80,339	80,339	40,169	200,847
Current Year Offsets	(9,350)	(168,245)	0	(177,595)
Qualifying Disbursements	(41,479)	(82,917)	0	(124,396)
Total	<u>\$29,510</u>	<u>(\$170,823)</u>	<u>\$59,683</u>	<u>(\$81,630)</u>
Cash Balance Carried Forward to FY'99	<u>\$29,510</u>	<u>\$0</u>	<u>\$59,683</u>	\$89,193
Amount restricted for bus purchases				<u>37,785</u>
Total Restricted Assets				<u>\$126,978</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirement of future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

NOTE 20 - SCHOOL FUNDING

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$955,173 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of the report, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 21 - YEAR 2000 COMPLIANCE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations as early as fiscal year 1999.

The School District has completed an inventory of computer systems and other equipment necessary to conducting the School District operations. The School District uses Ohio Education Computer Network (OECN) State Software for their budgetary, payroll, fixed asset inventory and education management information system (EMIS). These services are provided by the Miami Valley Educational Computer Association (MVECA - See Note 17). The State is responsible for remediating this system and no cost will be imposed to the District as a result of the program modifications.

Greene County collects property taxes for distribution to the School District. Greene County is responsible for remediating the tax collection system and is solely responsible for any costs associated with the tax collection system project.

The State of Ohio distributes a substantial sum of money to the School District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the School District through the State's Education Management and Information System (EMIS). The State is responsible for remediating these systems and is solely responsible for any costs associated with the Foundation processing and EMIS systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the School District is or will be Year 2000 ready, that the School District's remediation efforts will be successful in whole or in part, or that parties with whom the School District does business will be year 2000 ready.

NOTE 22 - OPERATING LEASE - LESSOR DISCLOSURE

The School District is the lessor of office space under a noncancellable lease. The future minimum rentals as of June 30, 1999, are as follows:

Year Ending June 30,	Minimum Lease Rentals
2000	\$59,000
2001	59,000
2002	59,000
2003	59,000
2004	59,000
Totals	<u>\$295,000</u>

NOTE 23 - INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	<u>\$2,985</u>	<u>\$0</u>
Special Revenue Funds:		
Title I	<u>0</u>	<u>2,985</u>
Total	<u>\$2,985</u>	<u>\$2,985</u>

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Continued)**

NOTE 24 - RESTATEMENT OF FUND BALANCES

Prior period adjustments were made at June 30, 1998 to properly reflect a debt payment that was made during fiscal year 1998. The prior period adjustments had the following effect on fund balances as they were previously reported as of June 30, 1998.

	General	Debt Service
Fund Balances at June 30, 1998	\$580,852	\$21,437
Restatement of Fund Balance	21,437	(21,437)
Restated Fund Balances at June 30, 1998	\$602,289	\$0

NOTE 25 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 1999.

B. Litigation

The School District is not aware of any legal proceedings at this time.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	03-PU 99	10.550		\$4,752		\$4,752
National School Lunch Program		10.555	16,146		16,146	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>16,146</u>	<u>4,752</u>	<u>16,146</u>	<u>4,752</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF 98 P	84.027	37,572		41,037	
<i>Passed Through Greene County ESC</i> Special Education - Preschool Grant		84.173			7,882	
Total Special Education Cluster			<u>37,572</u>		<u>48,919</u>	
Safe & Drug Free Schools & Communities	DR-SP 99 P	84.186	1,278		1,278	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1 99	84.010	51,160		45,884	
Innovative Educational Program Strategies	C2-S1 99	84.298	2,358		4,680	
Technology Literacy Challenge Fund	TF-S2 98 p	84.318	162,500		281,878	
Library Technology Grant		84.318	8,348		0	
<i>Passed Through Greene County ESC</i> Eisenhower Professional Development		84.281	0		1,962	
Safe & Drug Free Schools & Communities		84.186	0		6,088	
Goals 2000		84.276	0		9	
<i>(Direct Receipt)</i> Impact Aid		84.041	1,852		1,852	
E-Rate Refund		84.XXX	0		5,137	
Total Department of Education			<u>265,068</u>		<u>397,687</u>	
Totals			<u>\$281,214</u>	<u>\$4,752</u>	<u>\$413,833</u>	<u>\$4,752</u>

The accompanying notes to this schedule are an integral part of this schedule.

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

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

Yellow Springs Exempted Village School District
Greene County
201 S. Walnut Street
Yellow Springs, Ohio 45387

To the Board of Education:

We have audited the financial statements of Yellow Springs Exempted Village School District, (the District), as of and for the year ended June 30, 1999, and have issued our report thereon dated December 30, 1999. We conducted our audit in accordance with generally accepted auditing standards 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 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 1999-10329-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 30, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 District in a separate letter dated December 30, 1999.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

December 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO ITS MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Yellow Springs Exempted Village School District
Greene County
201 S. Walnut Street
Yellow Springs, Ohio 45387

To the Board of Education:

Compliance

We have audited the compliance of Yellow Springs Exempted Village School District, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, Yellow Springs Exempted Village School District complied, in all material respects with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999. However, we have noted certain instances of noncompliance applicable to the District's federal programs, that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated December 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

JIM PETRO
Auditor of State

December 30, 1999

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Grant CFDA 84.318
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

Finding Number	1999-10329-001
-----------------------	----------------

Ohio Rev. Code Section 5705.41 (B), states that a political subdivision shall not expend funds until they have been appropriated. The District had expenditures plus current year encumbrances that exceeded the prior year carryover encumbrances plus appropriations at the fund, function, object level, at June 30, 1999 as indicated below. This is the legal level of control adopted by the Board of Education.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

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

Finding Number 1999-10329-001 (Continued)

FUND	APPROPRIATIONS	ENCUMBERED AND EXPENDED	VARIANCE
Special Revenue Funds			
Support Services - Administration - Purchased Services	1,876	2,364	(488)
Title I Fund			
Support Services - Instructional Staff - Salaries	0	954	(954)

In addition to the item referred to above, we noted other immaterial instances of noncompliance for the periods examined.

To help ensure compliance with the above referenced section of code, and to insure that the District does not expend funds that are not available, the District should monitor financial reports to ensure budgetary expenditures do not exceed appropriations at the legal level of control throughout the year. In instances where it appears appropriations are insufficient to meet projected needs, the Board of Education should pass a resolution to amend appropriations.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 1999

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ;
1998-10329-001	Revised Code 5705.38 (B) annual appropriations	Yes	N/A



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT

GREENE 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 8, 2000**