

**YELLOW SPRINGS EXEMPTED VILLAGE  
SCHOOL DISTRICT**

**Basic Financial Statements**

**June 30, 2006 and 2005**

**with**

**Independent Auditors' Report**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Yellow Springs Exempted Village School District  
201 South Walnut Street  
Yellow Springs, Ohio 45387

We have reviewed the *Independent Auditors' Report* of the Yellow Springs Exempted Village School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2004 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Yellow Springs Exempted Village School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

May 15, 2007

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**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT**

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Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS  
www.cshco.com

Independent Auditors' Report

Board of Education  
Yellow Springs Exempted Village School District  
201 South Walnut Street  
Yellow Springs, Ohio 45387

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yellow Springs Exempted Village School District (the District) as of and for the years ended June 30, 2006 and June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Yellow Springs Exempted Village School District as of June 30, 2006 and June 30, 2005, the respective changes in financial position thereof, and the respective budgetary comparison for the General and Emergency Levy Funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 21 and 22 to the 2005 basic financial statements, the School District implemented Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposits and Investment Risk Disclosure* and GASB Technical Bulletin 2004-2, *Recognition of Pension and Other Post-employment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* for the year ended June 30, 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis Sections, on pages 3 through 8 and 41 through 46 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 28, 2007

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited**

The discussion and analysis of the Yellow Springs Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 are as follows:

In total, net assets increased \$68,385

General revenues accounted for \$6,379,569, or 85 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$1,097,804 or 15 percent of total revenues of \$7,477,373.

The District's major funds included the General Fund and the Emergency Levy Fund. The General Fund had \$5,343,841 in revenues and \$5,271,608 in expenditures and other financing uses. The General Fund balance increased \$72,233 from the prior fiscal year.

The Emergency Levy Fund had \$1,124,570 in revenues and \$1,108,234 in expenditures. The Emergency Levy Fund balance increased \$16,336 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund and the Emergency Levy Fund are the two major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.



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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

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

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Emergency Levy Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2005</b>	<b>Restated 2004</b>
<b><u>Assets:</u></b>		
Current and Other Assets	\$8,286,501	\$8,331,135
Capital Assets, Net	6,227,857	6,280,931
Total Assets	<u>14,514,358</u>	<u>14,612,066</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	4,035,848	4,044,432
Long-Term Liabilities	4,648,929	4,806,438
Total Liabilities	<u>8,684,777</u>	<u>8,850,870</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	1,891,278	1,746,212
Restricted	502,576	631,929
Unrestricted	3,435,727	3,383,055
Total	<u>\$5,829,581</u>	<u>\$5,761,196</u>

The increase in net assets from 2004 to 2005 was insignificant.

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<b>2005</b>	<b>2004</b>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$691,140	\$676,293
Operating Grants, Contributions and Interest	399,524	338,390
Capital Grants and Contributions	7,140	
Total Program Revenues	<u>1,097,804</u>	<u>1,014,683</u>
General Revenues:		
Property Taxes	3,731,428	3,725,499
Income Taxes	1,017,811	2,322,539
Grants and Entitlements	1,490,370	1,588,790
Interest	92,115	93,159
Gifts and Donations	15,956	36,283
Miscellaneous	31,889	31,199
Total General Revenues	<u>6,379,569</u>	<u>7,797,469</u>
Total Revenues	<u>7,477,373</u>	<u>8,812,152</u>

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

<b><u>Expenses:</u></b>		
Instruction	4,280,619	3,166,274
Support Services:		
Pupils	250,529	196,917
Instructional Staff	434,924	437,260
Board of Education	30,779	32,257
Administration	754,042	787,697
Fiscal	306,916	342,678
Operation and Maintenance of Plant	620,865	592,688
Pupil Transportation	225,485	103,609
Central	20,917	48,154
Non-Instructional	83,919	124,860
Extracurricular Activities	280,920	203,388
Capital Outlay		660,523
Interest and Fiscal Charges	119,073	190,642
Total Expenses	<u>7,408,988</u>	<u>6,886,947</u>
Increase in Net Assets	<u>\$68,385</u>	<u>\$1,925,205</u>

The decrease in income tax revenue and the increase in instruction expenses attributed to the decrease in net assets from 2004 to 2005. The decrease in income tax revenue is attributable to the payment received from the restructuring of a major company resulting in a \$1.275 million one-time lump sum payment in 2004.

**Governmental Activities**

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

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Instruction	\$4,280,619	\$3,402,618	\$3,166,274	\$2,350,124
Support Services:				
Pupils	250,529	250,529	196,917	194,492
Instructional Staff	434,924	423,607	437,260	425,280
Board of Education	30,779	30,779	32,257	32,257
Administration	754,042	754,042	787,697	787,697
Fiscal	306,916	306,916	342,678	342,678
Operation and Maintenance of Plant	620,865	620,865	592,688	592,688
Pupil Transportation	225,485	225,485	103,609	103,609
Central	20,917	9,917	48,154	48,154
Non-Instructional	83,919	(19,777)	124,860	47,189
Extracurricular Activities	280,920	187,130	203,388	96,931
Capital Outlay			660,523	660,523
Interest and Fiscal Charges	119,073	119,073	190,642	190,642
Total Expenses	<u>\$7,408,988</u>	<u>\$6,311,184</u>	<u>\$6,886,947</u>	<u>\$5,872,264</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. The instruction activities are supported through charges for services and operating grants. For all governmental activities, support from general revenues is 85 percent. The remaining 15 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Emergency Levy Fund. Total governmental funds had revenues and other financing sources of \$7,459,228 and expenditures and other financing uses of \$7,530,423. The net negative change of \$71,195 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

Final expenditures and other financing uses were budgeted at \$5,410,567 while actual expenditures and other financing uses were \$5,261,052. The \$149,515 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2005  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2005, the District had \$6,227,857 invested in capital assets (net of accumulated depreciation) for governmental activities. This is a decrease of \$53,074 from the prior year, mainly attributable to depreciation expense during the fiscal year.

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

Debt

At June 30, 2005, the District had \$4,160,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-year period, with final maturity on December 1, 2027. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$5,401,887, with an un-voted debt margin of \$106,874.

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

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Yellow Springs is a small rural community of 8,500 people in Western Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 75 percent of District revenue sources is from local funds, 21.2 percent is from state funds, and the remaining 3.8 percent is from federal funds. The total expenditure per pupil was calculated at \$10,605.

Over the past several years, the District has remained in a good financial position. In November 2003, the District passed a five-year emergency levy to generate \$1,060,000 annually beginning collection January 2005. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the phased out elimination of personal property taxes by 2010 due to HB66.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joy Kitzmiller, Treasurer, Yellow Springs Exempted Village School District, 201 South Walnut Street, Yellow Springs, Ohio 45387.

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

**Statement of Net Assets  
June 30, 2005**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 4,122,935
Cash and Cash Equivalents with Fiscal Agents	322
Materials and Supplies Inventory	2,008
Accrued Interest Receivable	2,535
Accounts Receivable	20,229
Intergovernmental Receivable	4,554
Prepaid Items	3,088
Taxes Receivable	3,641,027
Income Taxes Receivable	470,324
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	19,479
Capital Assets:	
Non-Depreciable Capital Assets	149,279
Depreciable Capital Assets, net	6,078,578
<b>Total Assets</b>	<u><b>14,514,358</b></u>
 <b>LIABILITIES:</b>	
Accounts Payable	4,306
Accrued Wages and Benefits	653,739
Intergovernmental Payable	180,848
Matured Compensated Absences Payable	57,470
Unearned Revenue	3,139,485
Long-Term Liabilities:	
Due Within One Year	193,588
Due in More Than One Year	4,455,341
<b>Total Liabilities</b>	<u><b>8,684,777</b></u>
 <b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	1,891,278
Restricted for Debt Service	181,556
Restricted for Capital Outlay	84,760
Restricted for Other Purposes	236,260
Unrestricted	3,435,727
<b>Total Net Assets</b>	<u><u><b>\$ 5,829,581</b></u></u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Activities  
For the Fiscal Year Ended June 30, 2005**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expense)</u>
		<u>Charges for</u> <u>Services and</u> <u>Sales</u>	<u>Operating</u> <u>Grants and</u> <u>Contributions</u>	<u>Capital Grants</u> <u>and</u> <u>Contributions</u>	<u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u>
					<u>Governmental</u> <u>Activities</u>
Governmental Activities:					
Instruction:					
Regular	\$ 3,417,195	\$ 524,886	\$ 64,281	\$ 7,140	(2,820,888)
Special	484,156		281,694		(202,462)
Other	379,268				(379,268)
Support Services:					
Pupils	250,529				(250,529)
Instructional Staff	434,924		11,317		(423,607)
Board of Education	30,779				(30,779)
Administration	754,042				(754,042)
Fiscal	306,916				(306,916)
Operation and Maintenance of Plant	620,865				(620,865)
Pupil Transportation	225,485				(225,485)
Central	20,917		11,000		(9,917)
Operation of Non-Instructional Services	83,919	73,746	29,950		19,777
Extracurricular Activities	280,920	92,508	1,282		(187,130)
Debt Service:					
Interest and Fiscal Charges	119,073				(119,073)
Totals	\$ <u>7,408,988</u>	\$ <u>691,140</u>	\$ <u>399,524</u>	\$ <u>7,140</u>	<u>(6,311,184)</u>
General Revenues:					
Taxes:					
Property Taxes, Levied for General Purposes					3,387,142
Property Taxes, Levied for Capital Outlay					67,274
Property Taxes, Levied for Debt Service					277,012
Income Taxes					1,017,811
Grants and Entitlements not Restricted to Specific Programs					1,490,370
Gifts and Donations					15,956
Investment Earnings					92,115
Miscellaneous					31,889
Total General Revenues					<u>6,379,569</u>
Change in Net Assets					68,385
Net Assets Beginning of Year - Restated					5,761,196
Net Assets End of Year					<u>\$ 5,829,581</u>

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet  
Governmental Funds  
June 30, 2005**

	<u>General Fund</u>	<u>Emergency Levy Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,792,087	\$ 23,247	\$ 307,601	\$ 4,122,935
Cash and Cash Equivalents with Fiscal Agents			322	322
Materials and Supplies Inventory			2,008	2,008
Accrued Interest Receivable	2,535			2,535
Accounts Receivable	20,065		164	20,229
Intergovernmental Receivable			4,554	4,554
Prepaid Items	3,088			3,088
Taxes Receivable	2,324,269	977,380	339,378	3,641,027
Income Taxes Receivable	470,324			470,324
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,479			19,479
<b>Total Assets</b>	<b>\$ <u>6,631,847</u></b>	<b>\$ <u>1,000,627</u></b>	<b>\$ <u>654,027</u></b>	<b>\$ <u>8,286,501</u></b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	4,286		20	4,306
Accrued Wages and Benefits	625,222	5,451	23,066	653,739
Intergovernmental Payable	178,380		2,468	180,848
Matured Compensated Absences Payable	57,470			57,470
Deferred Revenue	2,152,902	862,885	300,708	3,316,495
	<u>3,018,260</u>	<u>868,336</u>	<u>326,262</u>	<u>4,212,858</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	27,506		7,375	34,881
Reserved for Prepaid Items	3,088			3,088
Reserved for Property Taxes	229,010	114,495	38,670	382,175
Reserved for Budget Stabilization	19,479			19,479
Unreserved, Undesignated, Reported in:				
General Fund	3,334,504			3,334,504
Special Revenue Funds		17,796	67,723	85,519
Debt Service Funds			140,688	140,688
Capital Projects Funds			73,309	73,309
<b>Total Fund Balances</b>	<b><u>3,613,587</u></b>	<b><u>132,291</u></b>	<b><u>327,765</u></b>	<b><u>4,073,643</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>6,631,847</u></b>	<b>\$ <u>1,000,627</u></b>	<b>\$ <u>654,027</u></b>	<b>\$ <u>8,286,501</u></b>

See Accompanying Notes to the Basic Financial Statements



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

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2005**

Total Governmental Fund Balances	\$	4,073,643
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,227,857
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		177,010
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds and Notes Payable	(4,216,740)	
Capital Leases Payable	(119,839)	
Compensated Absences Payable	(312,350)	
	<u>                    </u>	(4,648,929)
Net Assets of Governmental Activities	\$	<u><u>5,829,581</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Emergency Levy Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,344,612	\$ 1,008,045	\$ 340,209	\$ 3,692,866
Income Taxes	1,021,228			1,021,228
Intergovernmental	1,343,386	116,525	437,123	1,897,034
Interest	91,865		250	92,115
Tuition and Fees	510,561		14,025	524,586
Rent	300		50	350
Extracurricular Activities			92,458	92,458
Gifts and Donations			15,956	15,956
Customer Sales and Services			73,746	73,746
Miscellaneous	31,889			31,889
<b>Total Revenues</b>	<b>5,343,841</b>	<b>1,124,570</b>	<b>973,817</b>	<b>7,442,228</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,907,156	1,091,986	248,854	3,247,996
Special	420,167		59,794	479,961
Other	379,268			379,268
Support Services:				
Pupils	155,658		94,871	250,529
Instructional Staff	357,347		59,754	417,101
Board of Education	30,779			30,779
Administration	737,596			737,596
Fiscal	285,162	16,248	5,506	306,916
Business	610			610
Operation and Maintenance of Plant	589,030		900	589,930
Pupil Transportation	187,375			187,375
Central	1,672		18,046	19,718
Operation of Non-Instructional Services	3,968		102,756	106,724
Extracurricular Activities	161,372		108,189	269,561
Capital Outlay	2,790		99,066	101,856
Debt Service:				
Principal	30,642		167,498	198,140
Interest	4,016		185,347	189,363
<b>Total Expenditures</b>	<b>5,254,608</b>	<b>1,108,234</b>	<b>1,150,581</b>	<b>7,513,423</b>
Excess of Revenues Over (Under) Expenditures	<u>89,233</u>	<u>16,336</u>	<u>(176,764)</u>	<u>(71,195)</u>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In			17,000	17,000
Transfers Out	(17,000)			(17,000)
<b>Total Other Financing Sources and Uses</b>	<b>(17,000)</b>		<b>17,000</b>	
Net Change in Fund Balances	72,233	16,336	(159,764)	(71,195)
Fund Balance (Deficit) at Beginning of Year - Restated	3,541,354	115,955	487,529	4,144,838
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 3,613,587</b>	<b>\$ 132,291</b>	<b>\$ 327,765</b>	<b>\$ 4,073,643</b>

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (71,195)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	228,662	
Depreciation	(281,736)	
		(53,074)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Income Taxes	(3,417)	
Delinquent Property Taxes	38,562	
		35,145

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		198,140
--	--	---------

Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	(40,631)	
		(40,631)

Change in Net Assets of Governmental Activities	\$	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right;">(40,631)</td> </tr> <tr> <td style="border-top: 1px solid black; border-bottom: 3px double black; text-align: right;">68,385</td> </tr> </table>	(40,631)	68,385
(40,631)				
68,385				

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,170,961	\$ 2,267,092	\$ 2,267,359	\$ 267
Income Tax	2,231,385	2,231,385	2,286,775	55,390
Intergovernmental	1,333,052	1,359,425	1,341,118	(18,307)
Interest	41,200	41,200	91,842	50,642
Tuition and Fees	544,243	544,243	510,561	(33,682)
Rent	100	100	300	200
Miscellaneous	5,900	5,900	11,714	5,814
Total Revenues	<u>6,326,841</u>	<u>6,449,345</u>	<u>6,509,669</u>	<u>60,324</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,891,701	1,899,789	1,891,425	8,364
Special	425,309	424,229	420,964	3,265
Other	395,733	413,009	379,401	33,608
Support Services:				
Pupils	184,621	157,657	148,559	9,098
Instructional Staff	373,721	377,154	364,718	12,436
Board of Education	21,075	33,274	30,786	2,488
Administration	709,331	741,645	728,450	13,195
Fiscal	293,088	298,498	293,616	4,882
Operation and Maintenance of Plant	584,180	609,912	600,827	9,085
Pupil Transportation	188,270	198,640	190,771	7,869
Central	7,615	2,615	1,794	821
Operation of Non-Instructional Services	5,617	5,617	3,705	1,912
Extracurricular Activities	157,338	161,012	161,011	1
Capital Outlay	33,000	28,500	7,009	21,491
Debt Service				
Principal	17,000	17,000	17,000	
Interest	4,016	4,016	4,016	
Total Expenditures	<u>5,291,615</u>	<u>5,372,567</u>	<u>5,244,052</u>	<u>128,515</u>
Excess of Revenues Over (Under) Expenditures	<u>1,035,226</u>	<u>1,076,778</u>	<u>1,265,617</u>	<u>188,839</u>
Other Financing Sources and Uses:				
Transfers In	27,000	20,000		(20,000)
Refund of Prior Year Expenditures	7,224	7,224	18,876	11,652
Transfers Out	(37,000)	(38,000)	(17,000)	21,000
Total Other Financing Sources and Uses	<u>(2,776)</u>	<u>(10,776)</u>	<u>1,876</u>	<u>12,652</u>
Net Change in Fund Balances	1,032,450	1,066,002	1,267,493	201,491
Fund Balance (Deficit) at Beginning of Year	2,493,358	2,493,358	2,493,358	
Prior Year Encumbrances Appropriated	27,177	27,177	27,177	
Fund Balance (Deficit) at End of Year	<u>\$ 3,552,985</u>	<u>\$ 3,586,537</u>	<u>\$ 3,788,028</u>	<u>\$ 201,491</u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
EMERGENCY LEVY FUND  
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 954,889	\$ 996,448	\$ 972,437	\$ (24,011)
Intergovernmental	105,111	105,111	116,525	11,414
Total Revenues	<u>1,060,000</u>	<u>1,101,559</u>	<u>1,088,962</u>	<u>(12,597)</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,044,100	1,094,100	1,090,284	3,816
Support Services:				
Fiscal	15,900	17,650	16,248	1,402
Total Expenditures	<u>1,060,000</u>	<u>1,111,750</u>	<u>1,106,532</u>	<u>5,218</u>
Excess of Revenues Over (Under) Expenditures	<u>                    </u>	<u>(10,191)</u>	<u>(17,570)</u>	<u>(7,379)</u>
Net Change in Fund Balances		(10,191)	(17,570)	(7,379)
Fund Balance (Deficit) at Beginning of Year	40,817	40,817	40,817	
Fund Balance (Deficit) at End of Year	<u>\$ 40,817</u>	<u>\$ 30,626</u>	<u>\$ 23,247</u>	<u>\$ (7,379)</u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005**

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>24,013</u>
Total Assets	<u>24,013</u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	24,013
Total Liabilities	\$ <u><u>24,013</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Yellow Springs Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Yellow Springs Exempted Village School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District. The Board oversees the operations of the District's seven instructional/support facilities staffed by 28 non-certified and 59 certified full-time teaching personnel who provide services to 735 students and other community members.

**The Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

The District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, the Greene County Career Center, the Miami Valley Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, and the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Emergency Levy Fund are the District's major governmental funds:

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

Emergency Levy Fund - The Emergency Levy Fund is used to account for expenditures of the District's emergency operating levy.

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. The District's agency funds account for various student managed activities.

**C. Measurement Focus**

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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. For the District, available means expected to be received within sixty days of fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

**E. Budgetary Process**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2005. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2005.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$91,865, and \$250 to other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for budget stabilization.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**I. Capital Assets**

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is five thousand dollars. The District does not possess 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.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years
Books	10 years

**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 District will compensate the employees for the benefits through paid time off or some other means. The 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 District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that has matured due to retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits and are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves and Designations**

The 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, prepaid items, property taxes, and budget stabilization.

The reserve for property 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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**N. Interfund Activity**

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

**O. Estimates**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**P. Pass-Through Grants**

The Eisenhower, Title 1, Handicapped Preschool, and Miscellaneous Federal special revenue funds are pass-through grants in which the Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting of Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**3. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund the Emergency Levy Fund.

<b>Net Change in Fund Balance Major Governmental Fund</b>		
	<b>General</b>	<b>Emergency Levy</b>
GAAP Basis	\$72,233	\$16,336
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2004, Received In Cash FY 2005	1,851,263	78,887
Accrued FY 2005, Not Yet Received in Cash	(685,435)	(114,495)
Expenditure Accruals:		
Accrued FY 2004, Paid in Cash FY 2005	(823,260)	(3,749)
Accrued FY 2005, Not Yet Paid in Cash	883,414	5,451
Encumbrances Outstanding at Year End (Budget Basis)	(30,722)	
Budget Basis	<u>\$1,267,493</u>	<u>(\$17,570)</u>

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the agreement be at least two percent and to be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$829,393 of the District's bank balance of \$1,029,393 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities Less than One Year</u>	<u>Maturities One – Two Years</u>	<u>Maturities Two – Three Years</u>
Federal Home Loan Bank Notes	\$1,391,516	\$498,905	\$494,690	\$397,921
Federal Home Loan Mortgage Corporation Notes	838,514		345,069	493,445
Federal National Mortgage Association	989,375	494,220	495,155	
Money Market	4,653	4,653		
Total Investments	<u>\$3,224,058</u>	<u>\$997,778</u>	<u>\$1,334,914</u>	<u>\$891,366</u>

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The Federated United States Treasury Cash Reserve Mutual Fund is rated AAAM by Standard and Poor's. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.



**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investments in Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association represent 43%, 26% and 31%, respectively, of the District's total investments.

**5. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2005 were levied after April 1, 2004, on the assessed values as of December 31, 2003, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Greene County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2005, are available to finance fiscal year 2005 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, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2005 operations. For the governmental fund financial statements, 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 was recognized as revenue.

The amount available as an advance at June 30, 2005, was \$229,010 in the General Fund, \$114,495 in the Special Revenue Fund, and \$38,670 in the Non-major Governmental Funds. The amount available as an advance at June 30, 2004, was \$151,757 in the General Fund, \$78,887 in the Special Revenue Fund, and \$24,861 in the Non-major Governmental Funds.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$86,391,540	81%	\$87,022,330	81%
Industrial/Commercial	10,495,330	10%	11,312,500	11%
Public Utility	7,403,302	7%	2,109,070	2%
Tangible Personal	2,207,940	2%	6,429,732	6%
<b>Total Assessed Value</b>	<b>\$106,498,112</b>	<b>100%</b>	<b>\$106,873,632</b>	<b>100%</b>
Tax rate per \$1,000 of assessed valuation	\$69.50		\$69.25	

**6. INCOME TAX**

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2004, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of \$1,021,228 were credited to the General Fund during fiscal year 2005.

**7. RECEIVABLES**

Receivables at June 30, 2005, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Title VI-B	\$185
Title I	3,660
Student Intervention	709
<b>Total Intergovernmental Receivables</b>	<b>\$4,554</b>

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<b>Restated Balance at 6/30/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/05</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$149,279			\$149,279
Total Nondepreciable Capital Assets	149,279			149,279
Depreciable Capital Assets				
Land Improvements	1,460,943	\$95,595		1,556,538
Buildings and Building Improvements	6,010,223	73,705		6,083,928
Furniture, Fixtures, and Equipment	324,520	59,362	8,070	375,812
Vehicles	389,505			389,505
Books	233,060			233,060
Total Depreciable Capital Assets	8,418,251	228,662	8,070	8,638,843
Less Accumulated Depreciation				
Land Improvements	137,440	18,288		155,728
Buildings and Building Improvements	1,528,018	172,780		1,700,798
Furniture, Fixtures, and Equipment	176,351	34,032	8,070	202,313
Vehicles	231,152	37,214		268,366
Books	213,638	19,422		233,060
Total Accumulated Depreciation	2,286,599	281,736	8,070	2,560,265
Depreciable Capital Assets, Net	6,131,652	(\$53,074)		6,078,578
Governmental Activities Capital Assets, Net	<u>\$6,280,931</u>	<u>(\$53,074)</u>		<u>\$6,227,857</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$198,293
Support Services:	
Instructional Staff	17,823
Administration	12,417
Business	437
Pupil Transportation	38,110
Central	1,199
Non-Instruction	2,098
Extracurricular	11,359
Total Depreciation Expense	<u>\$281,736</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**9. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted with Harcum-Hyre Insurance Agency for general liability insurance with a \$1,000,000 single occurrence limit and a \$4,000,000 aggregate. Property is protected by Indiana Insurance Company with a \$14,412,346 aggregate limit and holds a \$1,000 deductible.

The District's vehicles are covered under a business policy with Indiana Insurance Company, which carries a \$2,000,000 limit on any accident with a \$100 comp/\$250 collision 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 2005, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

**C. Medical Benefits**

For fiscal year 2005, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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(Continued)**

**10. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$95,642, \$76,365, and \$69,264, respectively, 49 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contributions for fiscal year 2005 are \$74,627.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2005, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$444,008, \$396,828, and \$402,959, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$80,988.

**11. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005 the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2005, the allocation rate is 3.43 percent. 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 2005, the minimum pay has been established as \$27,400. 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.

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2005, were \$178,221,113. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was \$267.5 million, which is about 168 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

The number of participants eligible to receive benefits is 58,123.

**12. COMPENSATED ABSENCES**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment up to an accumulation of 25 days. For administrators, there is no cap on the accumulation of vacation time and they are paid for all accumulated time upon retirement or resignation. Teachers do not earn vacation time.

Administrators, policy, classified and certificated employees earn sick leave at the rate of one and one-fourth days per month. Classified employees may accumulate sick leave up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 65 days. For teachers, sick leave may be accumulated up to a maximum of 300 days and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days.

For the superintendent there is no cap on the accumulation of sick leave and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days. For all other administrators, there is no cap on the accumulation of sick leave and 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. Teachers and non-teaching bargaining unit members may accumulate unused personal leave for the purpose of severance pay only. Upon resignation or retirement, teaching bargaining unit members receive \$100 and non-teaching bargaining unit members receive \$70 for each accumulated day of personal leave upon retirement.

**B. Insurance Benefits**

The District provides life insurance, dental insurance and prescription drug to its employees through Coresource. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (Note 17).

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2005, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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	<b>Balance at 6/30/04</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance at 6/30/05</b>	<b>Due Within One Year</b>
Permanent Improvement Bonds 2002 Variable Rate	\$4,260,000		\$100,000	\$4,160,000	\$105,000
Athletic Equipment Note 2003 3.25%	124,238		67,498	56,740	56,740
Capital Leases	150,481		30,642	119,839	31,848
Compensated Absences Payable	271,719	\$312,350	271,719	312,350	
<b>Total</b>	<b>\$4,806,438</b>	<b>\$312,350</b>	<b>\$469,859</b>	<b>\$4,648,929</b>	<b>\$193,588</b>

**A. Permanent Improvement Bonds**

On June 26, 2002, the District issued \$4,420,000 in permanent improvement bonds for the purpose of improvements, renovations and additions to school facilities. The bonds were issued for a 25-year period with final maturity during fiscal year 2028. The bonds will be paid from the Permanent Improvement Capital Projects Fund.

Principal and interest requirements to retire the permanent improvement bonds outstanding at June 30, 2005, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$105,000	\$180,166	\$285,166
2007	125,000	177,046	302,046
2008	130,000	173,234	303,234
2009	140,000	168,823	308,823
2010	145,000	163,883	308,883
2011-2015	555,000	997,534	1,552,534
2016-2020	935,000	613,556	1,548,556
2021-2025	1,170,000	364,196	1,534,196
2026-2028	855,000	65,625	920,625
<b>Total</b>	<b>\$4,160,000</b>	<b>\$2,904,063</b>	<b>\$7,064,063</b>

**B. Athletic Equipment**

The District issued \$218,900 in permanent improvement notes for the purpose of purchasing athletic equipment. The note was issued for a 3-year period with final maturity during fiscal year 2006. The note is paid from the General Fund.

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2006	\$56,740	\$771	\$57,511
<b>Total</b>	<b>\$56,740</b>	<b>\$771</b>	<b>\$57,511</b>

Capital leases will be paid from the General Fund and compensated absences will be paid from the funds from which the employees' salaries are paid.

The District's voted legal debt margin was \$5,401,887 with an unvoted debt margin of \$106,874 at June 30, 2005.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**14. CAPITALIZED LEASES – LESSEE DISCLOSURE**

In prior years, the District had entered into capitalized leases for copiers, telephones, bleachers, and musical instruments. 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 fund financial statements for the General Fund. These expenditures are reported as function expenditures on the budgetary statement.

The capital assets consisting of equipment, furniture and fixtures, and land improvements have been capitalized in the statement of net assets in the amount of \$357,771. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2005 totaled \$30,642 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, 2005.

<u>Year Ending June 30,</u>	<u>Amount</u>
2006	\$37,117
2007	33,366
2008	21,250
2009	20,451
2010	20,642
Total Future Minimum Lease Payments	132,826
Less: Amount Representing Interest	(12,987)
Present Value of Future Minimum Lease Payments	<u>\$119,839</u>

**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The 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. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2005, only the unspent portion of certain workers' compensation refunds is required to be set-aside at fiscal year end.

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>
Set-aside Cash Balance as of June 30, 2004	(\$257,192)	(\$1,390,253)	\$19,479
Current Year Set-aside Requirement	93,346	\$93,346	
Qualifying Disbursements	(146,925)	(512,378)	
Total	<u>(\$310,771)</u>	<u>(\$1,809,285)</u>	<u>\$19,479</u>
Cash Balance Carried Forward to FY 2006	<u>(\$310,771)</u>	<u>(\$1,809,285)</u>	<u>\$19,479</u>
Set-aside Balances as of June 30, 2005			<u>\$19,479</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the textbooks and the capital acquisitions set-aside. The negative amounts in textbooks and capital acquisition set-asides can be carried forward and reduce the set-aside required in future years.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Miami Valley Educational Computer Association (MVECA)**

The District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Green and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA \$14,558 for services provided during the year. Financial information can be obtained from Norma Stewart, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**B. Southwestern Ohio Educational Purchasing Council (SOEPC)**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. 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. 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 and Federal Title Funds. During fiscal year 2005, the Yellow Springs Exempted Village School District paid \$701,111 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

**C. Southwestern Ohio Instructional Technology Association (SOITA)**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. 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 representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

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. Payments to SOITA are made from the General Fund. During fiscal year 2005, the Yellow Springs Exempted Village School District paid \$1,882 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**D. 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. 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.

**E. Miami Valley Special Education Regional Resource Center**

The Miami Valley Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 38 members made up of the 38 superintendents, 6 parent mentors, 12 special education directors, and one university. Some entities have more than one voting delegate. Financial information can be obtained from Sharon Kindrid, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

**17. GROUP PURCHASING POOLS**

**A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan**

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 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 fee to the GRP to cover the costs of administering the program.

**B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or Treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**18. SCHOOL FUNDING DECISION**

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

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

**19. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2005.

**B. Litigation**

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

**20. INTERFUND TRANSACTIONS**

During the year ended June 30, 2005 the General Fund transferred \$17,000 of Other Non-major Governmental Funds. These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**21. CHANGE IN ACCOUNTING PRINCIPLE**

The District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

**22. RESTATEMENT OF FUND BALANCES**

The District has implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.* This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment (OPEB) plans.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

The implementation of this Bulletin had the following effect on fund balance of the General fund as previously reported at June 30, 2004:

	<u>General Fund</u>
Fund Balance, June 30, 2004	\$3,603,623
GASB Technical Bulletin No. 2004-02	<u>(62,269)</u>
Restated Fund Balance, June 30, 2004	<u>\$3,541,354</u>

**23. RESTATEMENT OF NET ASSETS**

The District's capital assets were improperly reported for the year ended June 30, 2004. The restatement of net assets had the following effect on the Net Assets previously reported at June 30, 2004:

	<u>Government- Wide</u>
Net Assets, June 30, 2004	\$6,106,585
Adjustment	<u>(345,389)</u>
Restated Net Assets, June 30, 2004	<u>\$5,761,196</u>

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited**

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

**Financial Highlights**

Key financial highlights for fiscal year 2006 are as follows:

In total, net assets decreased \$257,885.

General revenues accounted for \$6,355,579, or 86 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$1,077,213 or 14 percent of total revenues of \$7,432,792.

The District's major funds included the General Fund and the Emergency Levy Fund. The General Fund had \$5,396,912 in revenues and \$5,806,014 in expenditures and other financing uses. The General Fund balance decreased \$409,102 from the prior fiscal year.

The Emergency Levy Fund had \$993,038 in revenues and \$1,075,219 in expenditures. The Emergency Levy Fund balance decreased \$82,181 from the prior fiscal year.

The revenue generated from the Bond Retirement Debt Service Fund is used to pay for the current portion of bonded debt.

**Using the Basic Financial Statements**

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

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

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

For the District, the General Fund is by far the most significant fund. The General Fund and the Emergency Levy Fund are the two major funds.

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

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

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

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

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund and the Emergency Levy Fund. While the District uses many funds to account for its financial transactions, these are the most significant.

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

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

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**The District as a Whole**

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

**Table 1  
Net Assets  
Governmental Activities**

	<u>2006</u>	<u>2005</u>
<b><u>Assets:</u></b>		
Current and Other Assets	\$8,585,951	\$8,286,501
Capital Assets, Net	6,152,481	6,227,857
Total Assets	<u>14,738,432</u>	<u>14,514,358</u>
<b><u>Liabilities:</u></b>		
Current and Other Liabilities	4,730,760	4,035,848
Long-Term Liabilities	4,435,976	4,648,929
Total Liabilities	<u>9,166,736</u>	<u>8,684,777</u>
<b><u>Net Assets:</u></b>		
Invested in Capital Assets, Net of Related Debt	2,009,490	1,891,278
Restricted	445,305	502,576
Unrestricted	3,116,901	3,435,727
Total	<u>\$5,571,696</u>	<u>\$5,829,581</u>

The decrease in net assets from 2005 to 2006 was insignificant.

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

**Table 2  
Change in Net Assets  
Governmental Activities**

	<u>2006</u>	<u>2005</u>
<b><u>Revenues:</u></b>		
Program Revenues:		
Charges for Services and Sales	\$688,855	\$691,140
Operating Grants, Contributions and Interest	388,358	399,524
Capital Grants and Contributions		7,140
Total Program Revenues	<u>1,077,213</u>	<u>1,097,804</u>
General Revenues:		
Property Taxes	3,412,767	3,731,428
Income Taxes	1,151,719	1,017,811
Grants and Entitlements	1,564,835	1,490,370
Interest	168,940	92,115
Gifts and Donations	31,286	15,956
Miscellaneous	26,032	31,889
Total General Revenues	<u>6,355,579</u>	<u>6,379,569</u>
Total Revenues	<u>7,432,792</u>	<u>7,477,373</u>



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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

<b><u>Expenses:</u></b>		
Instruction	4,092,542	4,280,619
Support Services:		
Pupils	436,206	250,529
Instructional Staff	500,596	434,924
Board of Education	33,018	30,779
Administration	786,851	754,042
Fiscal	306,297	306,916
Operation and Maintenance of Plant	683,768	620,865
Pupil Transportation	241,125	225,485
Central	18,689	20,917
Non-Instructional	115,891	83,919
Extracurricular Activities	288,154	280,920
Interest and Fiscal Charges	187,540	119,073
Total Expenses	<u>7,690,677</u>	<u>7,408,988</u>
Increase in Net Assets	<u>(\$257,885)</u>	<u>\$68,385</u>

During fiscal year 2006 education expenses increased while revenues remained the same.

**Governmental Activities**

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

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**Table 3  
Governmental Activities**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
	<b>2006</b>	<b>2006</b>	<b>2005</b>	<b>2005</b>
Instruction	\$4,092,542	\$3,243,889	\$4,280,619	\$3,402,618
Support Services:				
Pupils	436,206	436,206	250,529	250,529
Instructional Staff	500,596	492,843	434,924	423,607
Board of Education	33,018	33,018	30,779	30,779
Administration	786,851	786,851	754,042	754,042
Fiscal	306,297	306,297	306,916	306,916
Operation and Maintenance of Plant	683,768	683,768	620,865	620,865
Pupil Transportation	241,125	241,125	225,485	225,485
Central	18,689	7,689	20,917	9,917
Non-Instructional	115,891	9,581	83,919	(19,777)
Extracurricular Activities	288,154	184,657	280,920	187,130
Interest and Fiscal Charges	187,540	187,540	119,073	119,073
<b>Total Expenses</b>	<b>\$7,690,677</b>	<b>\$6,613,464</b>	<b>\$7,408,988</b>	<b>\$6,311,184</b>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. The instruction activities are supported through charges for services and operating grants. For all governmental activities, support from general revenues is 86 percent. The remaining 14 percent are derived from tuition and fees, specific grants, and donations.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Emergency Levy Fund. Total governmental funds had revenues and other financing sources of \$7,353,451 and expenditures and other financing uses of \$7,843,754. The net negative change of \$490,303 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

Final expenditures were budgeted and other financing uses at \$5,927,468 while actual expenditures and other financing uses were \$5,789,257. The \$138,211 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

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

**Management's Discussion and Analysis  
For Fiscal Year Ended June 30, 2006  
Unaudited  
(Continued)**

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal year 2006, the District had \$6,152,481 invested in capital assets (net of accumulated depreciation) for governmental activities. This is a decrease of \$75,376 from the prior year, mainly attributable to depreciation expense during the fiscal year.

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

Debt

At June 30, 2006, the District had \$4,055,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-year period, with final maturity on December 1, 2027. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District's overall legal debt margin was \$6,485,413, with an un-voted debt margin of \$117,116.

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

**Current Issues**

The District is holding its own in the state of a declining economy and uncertainty in State funding. Yellow Springs is a small rural community of 8,500 people in Western Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 75 percent of District revenue sources is from local funds, 21.2 percent is from state funds, and the remaining 3.8 percent is from federal funds. The total expenditure per pupil was calculated at \$11,084.

Over the past several years, the District has remained in a good financial position. In November 2003, the District passed a five-year emergency levy to generate \$1,060,000 annually beginning collection January 2005. This levy provides a source of funds for the financial operations and stability of the District. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the phased out elimination of personal property taxes by 2010 due to HB66.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Joy Kitzmiller, Treasurer, Yellow Springs Exempted Village School District, 201 South Walnut Street, Yellow Springs, Ohio 45387.

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

**Statement of Net Assets  
June 30, 2006**

		<b>Governmental Activities</b>
<b>Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$	3,881,388
Cash and Cash Equivalents with Fiscal Agents		1,544
Materials and Supplies Inventory		1,279
Accrued Interest Receivable		4,276
Accounts Receivable		5,487
Intergovernmental Receivable		2,247
Prepaid Items		5,500
Taxes Receivable		4,077,003
Income Taxes Receivable		587,748
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents		19,479
Capital Assets:		
Non-Depreciable Capital Assets		174,197
Depreciable Capital Assets, net		5,978,284
<b>Total Assets</b>		<b><u>14,738,432</u></b>
 <b>LIABILITIES:</b>		
Accounts Payable		11,394
Accrued Wages and Benefits		699,499
Intergovernmental Payable		178,186
Matured Compensated Absences Payable		107,349
Unearned Revenue		3,734,332
Long-Term Liabilities:		
Due Within One Year		154,991
Due in More Than One Year		4,280,985
<b>Total Liabilities</b>		<b><u>9,166,736</u></b>
 <b>NET ASSETS:</b>		
Invested in Capital Assets, Net of Related Debt		2,009,490
Restricted for Debt Service		180,356
Restricted for Capital Outlay		97,230
Restricted for Other Purposes		167,719
Unrestricted		3,116,901
<b>Total Net Assets</b>	<b>\$</b>	<b><u>5,571,696</u></b>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Activities  
For the Fiscal Year Ended June 30, 2006**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Expenses			
Governmental Activities:			
Instruction:			
Regular	\$ 3,419,660	\$ 519,612	\$ 159,365
Special	562,957		169,676
Other	109,925		(109,925)
Support Services:			
Pupils	436,206		(436,206)
Instructional Staff	500,596		7,753
Board of Education	33,018		(33,018)
Administration	786,851		(786,851)
Fiscal	306,297		(306,297)
Operation and Maintenance of Plant	683,768		(683,768)
Pupil Transportation	241,125		(241,125)
Central	18,689		11,000
Operation of Non-Instructional Services	115,891	73,546	32,764
Extracurricular Activities	288,154	95,697	7,800
Debt Service:			
Interest and Fiscal Charges	187,540		(187,540)
Totals	\$ <u>7,690,677</u>	\$ <u>688,855</u>	\$ <u>388,358</u>
			<u>(6,613,464)</u>
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purposes			3,097,133
Property Taxes, Levied for Capital Outlay			60,940
Property Taxes, Levied for Debt Service			254,694
Income Taxes			1,151,719
Grants and Entitlements not Restricted to Specific Programs			1,564,835
Gifts and Donations			31,286
Investment Earnings			168,940
Miscellaneous			26,032
Total General Revenues			<u>6,355,579</u>
Change in Net Assets			(257,885)
Net Assets Beginning of Year			5,829,581
Net Assets End of Year			\$ <u>5,571,696</u>

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet  
Governmental Funds  
June 30, 2006**

	<u>General Fund</u>	<u>Emergency Levy Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 3,517,176	\$ 16,247	\$ 347,965	\$ 3,881,388
Cash and Cash Equivalents with Fiscal Agents			1,544	1,544
Materials and Supplies Inventory			1,279	1,279
Accrued Interest Receivable	4,276			4,276
Accounts Receivable	4,930		557	5,487
Intergovernmental Receivable			2,247	2,247
Prepaid Items	5,500			5,500
Taxes Receivable	2,599,106	1,097,345	380,552	4,077,003
Income Taxes Receivable	587,748			587,748
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,479			19,479
<b>Total Assets</b>	<b>\$ <u>6,738,215</u></b>	<b>\$ <u>1,113,592</u></b>	<b>\$ <u>734,144</u></b>	<b>\$ <u>8,585,951</u></b>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	361		11,033	11,394
Accrued Wages and Benefits	672,062	5,190	22,247	699,499
Intergovernmental Payable	173,091		5,095	178,186
Matured Compensated Absences Payable	107,349			107,349
Deferred Revenue	2,580,867	1,058,292	367,024	4,006,183
	<u>3,533,730</u>	<u>1,063,482</u>	<u>405,399</u>	<u>5,002,611</u>
<b>Fund Balances</b>				
Reserved:				
Reserved for Encumbrances	46,337		67,469	113,806
Reserved for Prepaid Items	5,500			5,500
Reserved for Property Taxes	86,785	39,053	13,528	139,366
Reserved for Budget Stabilization	19,479			19,479
Unreserved, Undesignated, Reported in:				
General Fund	3,046,384			3,046,384
Special Revenue Funds		11,057	64,215	75,272
Debt Service Funds			155,034	155,034
Capital Projects Funds			28,499	28,499
<b>Total Fund Balances</b>	<b><u>3,204,485</u></b>	<b><u>50,110</u></b>	<b><u>328,745</u></b>	<b><u>3,583,340</u></b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ <u>6,738,215</u></b>	<b>\$ <u>1,113,592</u></b>	<b>\$ <u>734,144</u></b>	<b>\$ <u>8,585,951</u></b>

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Total Governmental Fund Balances  
to Net Assets of Governmental Activities  
June 30, 2006**

Total Governmental Fund Balances	\$	3,583,340
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,152,481
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		271,851
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(4,055,000)	
Capital Leases Payable	(87,991)	
Compensated Absences Payable	(292,985)	
	<u>                    </u>	<u>(4,435,976)</u>
Net Assets of Governmental Activities	\$	<u><u>5,571,696</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2006**

	<b>General Fund</b>	<b>Emergency Levy Fund</b>	<b>All Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,145,577	\$ 874,409	\$ 308,843	\$ 3,328,829
Income Taxes	1,140,816			1,140,816
Intergovernmental	1,408,448	118,629	426,116	1,953,193
Interest	168,460		480	168,940
Tuition and Fees	506,339		12,033	518,372
Rent	1,240		75	1,315
Extracurricular Activities			95,622	95,622
Gifts and Donations			31,286	31,286
Customer Sales and Services			73,546	73,546
Miscellaneous	26,032			26,032
<b>Total Revenues</b>	<b>5,396,912</b>	<b>993,038</b>	<b>948,001</b>	<b>7,337,951</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,195,140	1,059,739	135,532	3,390,411
Special	505,830		56,252	562,082
Other	104,631		5,294	109,925
Support Services:				
Pupils	339,359		96,847	436,206
Instructional Staff	437,398		57,152	494,550
Board of Education	33,018			33,018
Administration	796,036			796,036
Fiscal	285,311	15,480	5,506	306,297
Operation and Maintenance of Plant	655,648		1,239	656,887
Pupil Transportation	206,698			206,698
Central	521		12,906	13,427
Operation of Non-Instructional Services			112,897	112,897
Extracurricular Activities	163,149		113,646	276,795
Capital Outlay	30,397		21,500	51,897
Debt Service:				
Principal	31,848		161,740	193,588
Interest	5,530		182,010	187,540
<b>Total Expenditures</b>	<b>5,790,514</b>	<b>1,075,219</b>	<b>962,521</b>	<b>7,828,254</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(393,602)</b>	<b>(82,181)</b>	<b>(14,520)</b>	<b>(490,303)</b>
<b>OTHER FINANCING SOURCES AND USES:</b>				
Transfers In			15,500	15,500
Transfers Out	(15,500)			(15,500)
<b>Total Other Financing Sources and Uses</b>	<b>(15,500)</b>	<b>-</b>	<b>15,500</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(409,102)</b>	<b>(82,181)</b>	<b>980</b>	<b>(490,303)</b>
Fund Balance (Deficit) at Beginning of Year	3,613,587	132,291	327,765	4,073,643
<b>Fund Balance (Deficit) at End of Year</b>	<b>\$ 3,204,485</b>	<b>\$ 50,110</b>	<b>\$ 328,745</b>	<b>\$ 3,583,340</b>

See Accompanying Notes to the Basic Financial Statements



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

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to Statement Activities  
For the Fiscal Year Ended June 30, 2006**

Net Change in Fund Balances - Total Governmental Funds \$ (490,303)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlay in the current year.

Capital Outlay - Depreciable Capital Assets	185,514	
Depreciation	<u>(256,227)</u>	
		(70,713)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(4,663)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Income Taxes	10,903	
Delinquent Property Taxes	<u>83,938</u>	
		94,841

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		193,588
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Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>19,365</u>	
		<u>19,365</u>

Change in Net Assets of Governmental Activities		\$ <u><u>(257,885)</u></u>
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See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
GENERAL FUND  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 2,255,856	\$ 2,297,133	\$ 2,287,802	\$ (9,331)
Income Tax	982,013	1,058,922	1,034,295	(24,627)
Intergovernmental	1,346,588	1,379,811	1,405,947	26,136
Interest	90,000	90,000	166,719	76,719
Tuition and Fees	516,744	516,744	506,339	(10,405)
Rent	900	900	1,240	340
Miscellaneous	5,000	5,000	10,312	5,312
Total Revenues	<u>5,197,101</u>	<u>5,348,510</u>	<u>5,412,654</u>	<u>64,144</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	2,106,404	2,154,443	2,148,050	6,393
Special	492,341	523,330	510,610	12,720
Other	356,193	111,861	103,490	8,371
Support Services:				
Pupils	387,062	339,576	333,230	6,346
Instructional Staff	452,773	450,608	428,810	21,798
Board of Education	34,050	35,680	32,955	2,725
Administration	806,021	806,325	794,230	12,095
Fiscal	302,452	297,096	282,363	14,733
Operation and Maintenance of Plant	656,685	687,832	665,350	22,482
Pupil Transportation	217,602	223,880	217,995	5,885
Central	2,500	2,500	521	1,979
Operation of Non-Instructional Services	5,665	5,665	4,952	713
Extracurricular Activities	158,774	168,617	163,043	5,574
Capital Outlay	33,500	33,500	32,918	582
Debt Service				
Principal	29,000	26,000	26,000	-
Interest	3,470	5,555	5,530	25
Total Expenditures	<u>6,044,492</u>	<u>5,872,468</u>	<u>5,750,047</u>	<u>122,421</u>
Excess of Revenues Over (Under) Expenditures	<u>(847,391)</u>	<u>(523,958)</u>	<u>(337,393)</u>	<u>186,565</u>
Other Financing Sources and Uses:				
Transfers In	27,000	27,000	23,710	(3,290)
Refund of Prior Year Expenditures	10,000	19,600	31,283	11,683
Transfers Out	(45,000)	(45,000)	(39,210)	5,790
Advances Out	(10,000)	(10,000)	-	10,000
Total Other Financing Sources and Uses	<u>(18,000)</u>	<u>(8,400)</u>	<u>15,783</u>	<u>24,183</u>
Net Change in Fund Balances	(865,391)	(532,358)	(321,610)	210,748
Fund Balance (Deficit) at Beginning of Year	3,788,028	3,788,028	3,788,028	-
Prior Year Encumbrances Appropriated	30,722	30,722	30,722	-
Fund Balance (Deficit) at End of Year	<u>\$ 2,953,359</u>	<u>\$ 3,286,392</u>	<u>\$ 3,497,140</u>	<u>\$ 210,748</u>

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes  
In Fund Balance - Budget (Non-GAAP Basis) and Actual  
EMERGENCY LEVY FUND  
For the Fiscal Year Ended June 30, 2006**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 932,800	\$ 931,936	\$ 949,851	\$ 17,915
Intergovernmental	127,202	127,200	118,629	(8,571)
Total Revenues	<u>1,060,002</u>	<u>1,059,136</u>	<u>1,068,480</u>	<u>9,344</u>
<b>EXPENDITURES:</b>				
Current:				
Instruction:				
Regular	1,042,350	1,060,000	1,060,000	-
Support Services:				
Fiscal	17,650	17,650	15,480	2,170
Total Expenditures	<u>1,060,000</u>	<u>1,077,650</u>	<u>1,075,480</u>	<u>2,170</u>
Excess of Revenues Over (Under) Expenditures	<u>2</u>	<u>(18,514)</u>	<u>(7,000)</u>	<u>11,514</u>
Net Change in Fund Balances	2	(18,514)	(7,000)	11,514
Fund Balance (Deficit) at Beginning of Year	23,247	23,247	23,247	
Fund Balance (Deficit) at End of Year	<u>\$ 23,249</u>	<u>\$ 4,733</u>	<u>\$ 16,247</u>	<u>\$ 11,514</u>

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
GREENE COUNTY

Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2006

	<u>Agency Fund</u>
<b>Assets</b>	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	\$ <u>23,376</u>
Total Assets	<u>23,376</u>
<b>Liabilities</b>	
Current Liabilities:	
Undistributed Monies	<u>23,376</u>
Total Liabilities	\$ <u><u>23,376</u></u>

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Yellow Springs Exempted Village School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Yellow Springs Exempted Village School District is a city school district as defined by §3311.22 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The Board oversees the operations of the District's seven instructional/support facilities staffed by 31 non-certified and 58 certified full-time teaching personnel who provide services to 638 students and other community members.

**The Reporting Entity**

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. This includes general operations, food service, and student related activities of the District.

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

The District participates in five jointly governed organizations and two insurance purchasing pools. These organizations are Miami Valley Educational Computer Association, Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, Greene County Career Center, Miami Valley Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, and Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 16 and 17 to the basic financial statements.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

**A. Basis of Presentation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Emergency Levy Fund are the District's major governmental funds:

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

Emergency Levy Fund - The Emergency Levy Fund is used to account for expenditures of the District's emergency operating levy.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. The District's agency funds account for various student managed activities.

**C. Measurement Focus**

**Government-Wide Financial Statements** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

**Fund Financial Statements** - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become 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. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On the governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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 governmental funds.

**E. Budgetary Process**

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

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

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



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2006. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to \$168,460, and \$480 to other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

**G. Inventory**

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On the fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for budget stabilization.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. The District does not possess 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.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 - 50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years
Books	10 years

**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 District will compensate the employees for the benefits through paid time off or some other means. The 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 District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

The entire compensated absence liability is reported on the government-wide financial statements.

For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount that has matured due to retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and special termination benefits and are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**L. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. Fund Balance Reserves and Designations**

The 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, prepaid items, property taxes, and budget stabilization.

The reserve for property 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 monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

**N. Interfund Activity**

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

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

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**O. Estimates**

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

**Q. Pass-Through Grants**

The Handicapped Preschool special revenue fund is a pass-through grants in which the Educational Service Center is the primary recipient. In accordance with GASB Statement 24, "Accounting and Financial Reporting or Certain Grants and Other Financial Assistance," the secondary recipients should report monies spent on their behalf by the primary recipient as revenue and operating expenses.

**3. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances 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 Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund the Emergency Levy Fund.

	<b>Net Change in Fund Balance</b>	
	<b>Major Governmental Fund</b>	
	<u>General</u>	<u>Emergency</u>
GAAP Basis	(\$409,102)	(\$82,181)
<u>Increase (Decrease) Due To:</u>		
Revenue Accruals:		
Accrued FY 2005, Received In Cash FY 2006	674,291	114,495
Accrued FY 2006, Not Yet Received in Cash	(658,549)	(39,053)
Expenditure Accruals:		
Accrued FY 2005, Paid in Cash FY 2006	(858,641)	(5,451)
Accrued FY 2006, Not Yet Paid in Cash	977,090	5,190
Encumbrances Outstanding at Year End (Budget Basis)	(46,699)	
Budget Basis	<u>(\$321,610)</u>	<u>(\$7,000)</u>

**4. DEPOSITS AND INVESTMENTS**

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

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

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

Interim monies are those monies that are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the District can be deposited or invested in the following securities:

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

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5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the 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.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,323,279 of the District's bank balance of \$1,523,279 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities Less than One Year</u>	<u>Maturities One – Two Years</u>
Federal Home Loan Bank Notes	\$840,313	\$495,780	\$344,533
Federal Home Loan Mortgage Corporation Notes	828,713	342,923	485,790
Federal National Mortgage Association	492,655	492,655	
Money Market	266,764	266,764	
Total Investments	<u>\$2,428,445</u>	<u>\$1,598,122</u>	<u>\$830,323</u>

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The Federated United States Treasury Cash Reserve Mutual Fund is rated AAAM by Standard and Poor's. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes, and the Federal Home Loan Bank Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investments in Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association represent 35%, 34% and 20%, respectively, of the District's total investments.

**5. PROPERTY TAXES**

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

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

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

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The District receives property taxes from Greene County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, 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 was recognized as revenue.

The amount available as an advance at June 30, 2006, was \$86,785 in the General Fund, \$39,053 in the Special Revenue Fund, and \$13,528 in the Non-major Governmental Funds. The amount available as an advance at June 30, 2005, was \$229,010 in the General Fund, \$114,495 in the Special Revenue Fund, and \$38,670 in the Non-major Governmental Funds.

The assessed values upon which the fiscal year 2006 taxes were collected are:

	<b>2005 Second- Half Collections</b>		<b>2006 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$87,022,330	81%	\$97,840,040	84%
Industrial/Commercial	11,312,500	11%	11,905,910	10%
Public Utility	2,109,070	2%	2,024,630	2%
Tangible Personal	6,429,732	6%	5,345,123	4%
Total Assessed Value	<u>\$106,873,632</u>	<u>100%</u>	<u>\$117,115,703</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$69.25		\$68.05	

**6. INCOME TAX**

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of \$1,140,816 were credited to the General Fund during fiscal year 2006.



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**7. RECEIVABLES**

Receivables at June 30, 2006, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. 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 year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	<b>Amount</b>
Governmental Activities	
Food Service	\$2,247
Total Intergovernmental Receivables	\$2,247

**8. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<b>Balance at 6/30/05</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/06</b>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$149,279			\$149,279
Construction in Progress		\$24,918		24,918
Total Nondepreciable Capital Assets	149,279	24,918		174,197
Depreciable Capital Assets				
Land Improvements	1,556,538			1,556,538
Buildings and Building Improvements	6,083,928			6,083,928
Furniture, Fixtures, and Equipment	375,812	160,596	\$40,114	496,294
Vehicles	389,505			389,505
Books	233,060			233,060
Total Depreciable Capital Assets	8,638,843	160,596	40,114	8,759,325
Less Accumulated Depreciation				
Land Improvements	155,728	19,694		175,422
Buildings and Building Improvements	1,700,798	172,780		1,873,578
Furniture, Fixtures, and Equipment	202,313	30,222	35,451	197,084
Vehicles	268,366	33,531		301,897
Books	233,060			233,060
Total Accumulated Depreciation	2,560,265	256,227	35,451	2,781,041
Depreciable Capital Assets, Net	6,078,578	(95,631)	(4,663)	5,978,284
Governmental Activities Capital Assets, Net	\$6,227,857	(\$70,713)	(\$4,663)	\$6,152,481

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$193,202
Support Services:	
Instructional Staff	6,046
Administration	7,600
Pupil Transportation	34,427
Central	599
Non-Instruction	2,994
Extracurricular	11,359
Total Depreciation Expense	<u><u>\$256,227</u></u>

**9. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the District contracted with Hylant Administrative Services LLC for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 general aggregate and \$1,000,000 products completed operations aggregate limit. Property is protected by Indiana Insurance Company with a \$16,129,549 aggregate limit and holds a \$1,000 deductible.

The District's vehicles are covered under a business policy with Indiana Insurance Company, which carries a \$2,000,000 limit on any accident with a \$100 comp/\$250 collision 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 2006, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the 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 Integrated Comp Inc. provides administrative, cost control, and actuarial services to the GRP.

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**C. Medical Benefits**

For fiscal year 2006, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**10. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$113,548, \$95,642, and \$76,365, respectively; 52 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are \$72,204.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

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New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2005, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$469,016, \$444,008, and \$396,828, respectively; 84 percent has been contributed for fiscal year 2006 and 100 percent for the fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is \$81,576.

**11. POSTEMPLOYMENT BENEFITS**

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006, and June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006.

For the year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000. There were 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the allocation rate is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants eligible to receive benefits is 59,492.

**12. COMPENSATED ABSENCES**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment up to an accumulation of 25 days. For administrators, there is no cap on the accumulation of vacation time and they are paid for all accumulated time upon retirement or resignation. Teachers do not earn vacation time.

Administrators, policy, classified and certificated employees earn sick leave at the rate of one and one-fourth days per month. Classified employees may accumulate sick leave up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 65 days. For teachers, sick leave may be accumulated up to a maximum of 300 days and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days.

For the superintendent there is no cap on the accumulation of sick leave and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days. For all other administrators, there is no cap on the accumulation of sick leave and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 60 days.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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

**B. Insurance Benefits**

The District provides life insurance, dental insurance and prescription drug to its employees through Coresource. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (Note 17).

**13. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2006, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/06</u>	<u>Due Within One Year</u>
Permanent Improvement Bonds 2002 Variable Rate	\$4,160,000		\$105,000	\$4,055,000	\$125,000
Athletic Equipment Note 2003 3.25%	56,740		56,740		
Capital Leases	119,839		31,848	87,991	29,991
Compensated Absences Payable	312,350	\$292,985	312,350	292,985	
<b>Total</b>	<u>\$4,648,929</u>	<u>\$292,985</u>	<u>\$505,938</u>	<u>\$4,435,976</u>	<u>\$154,991</u>

**A. Permanent Improvement Bonds**

On June 26, 2002, the District issued \$4,420,000 in permanent improvement bonds for the purpose of improvements, renovations and additions to school facilities. The bonds were issued for a 25-year period with final maturity during fiscal year 2028. The bonds will be paid from the Permanent Improvement Capital Projects Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

Principal and interest requirements to retire the permanent improvement bonds outstanding at June 30, 2006, are as follows:

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$125,000	\$177,046	\$302,046
2008	130,000	173,234	303,234
2009	140,000	168,822	308,822
2010	145,000	163,882	308,882
2011	150,000	158,373	308,373
2012-2016	575,000	978,306	1,553,306
2017-2021	975,000	569,629	1,544,629
2022-2026	1,230,000	304,979	1,534,979
2027-2028	585,000	29,625	614,625
<b>Total</b>	<b>\$4,055,000</b>	<b>\$2,723,896</b>	<b>\$6,778,896</b>

**B. Athletic Equipment**

The District issued \$218,900 in permanent improvement notes for the purpose of purchasing athletic equipment. The note was issued for a 3-year period with final maturity during fiscal year 2006. The note was retired during the fiscal year.

Capital leases will be paid from the General Fund. The compensated absences will be paid from the funds from which the employees' salaries are paid.

The District's voted legal debt margin was \$6,485,413 with an unvoted debt margin of \$117,116 at June 30, 2006.

**14. CAPITALIZED LEASES – LESSEE DISCLOSURE**

In prior years, the District had entered into capitalized leases for copiers, telephones, bleachers, and musical instruments. 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 fund financial statements for the General Fund. These expenditures are reported as function expenditures on the budgetary statement.

The capital assets consisting of equipment, furniture and fixtures, and land improvements have been capitalized in the statement of net assets in the amount of \$357,771. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2006 totaled \$31,848 in the General Fund.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

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, 2006.

<u>Year Ending June 30, 2006</u>	<u>Amount</u>
2007	\$33,366
2008	21,250
2009	20,451
2010	20,642
Total Future Minimum Lease Payments	95,709
Less: Amount Representing Interest	(7,718)
Present Value of Future Minimum Lease Payments	<u>\$87,991</u>

**15. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The 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. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2006, only the unspent portion of certain workers' compensation refunds is required to be set-aside at fiscal year end.

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>
Set-aside Cash Balance as of June 30, 2005	(\$310,771)	(\$1,809,285)	\$19,479
Current Year Set-aside Requirement	99,434	99,434	0
Qualifying Disbursements	(133,780)	(276,421)	0
Total	<u>(\$345,117)</u>	<u>(\$1,986,272)</u>	<u>\$19,479</u>
Cash Balance Carried Forward to FY 2007	<u>(\$345,117)</u>	<u>(\$1,986,272)</u>	<u>\$19,479</u>
Set-aside Balances as of June 30, 2006			<u>\$19,479</u>

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for the textbooks and the capital acquisitions set-aside. The negative amounts in textbooks and capital acquisition set-asides can be carried forward and reduce the set-aside required in future years.

**16. JOINTLY GOVERNED ORGANIZATIONS**

**A. Miami Valley Educational Computer Association (MVECA)**

The District is a participant in the Miami Valley Educational Computer Association (MVECA), which is a computer consortium. MVECA is an association of public school districts within the boundaries of Clark, Clinton, Fayette, Green and Highland Counties and Cities of Springfield, Wilmington, Washington Court House, Xenia and Hillsboro. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA \$14,388 for services provided during the year. Financial information can be obtained from Norma Stewart, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

**B. Southwestern Ohio Educational Purchasing Council (SOEPC)**

The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. 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. 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 and Federal Title Funds. During fiscal year 2006, the Yellow Springs Exempted Village School District paid \$94,298 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

**C. Southwestern Ohio Instructional Technology Association (SOITA)**

The Southwestern Ohio Instructional Technology Association (SOITA) is a not-for-profit corporation. 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 representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within 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. Payments to SOITA are made from the General Fund. During fiscal year 2006, the Yellow Springs Exempted Village School District paid \$3.472 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

**D. 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. 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.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**E. Miami Valley Special Education Regional Resource Center**

The Miami Valley Special Education Regional Resource Center (SERRC) is a special education service center, which selects its own board, adopts its own budget and receives Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 38 members made up of the 38 superintendents, 6 parent mentors, 12 special education directors, and one university. Some entities have more than one voting delegate. Financial information can be obtained from Sharon Kindrid, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

**17. GROUP PURCHASING POOLS**

**A. Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan**

The District participates in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by an 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 fee to the GRP to cover the costs of administering the program.

**B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan**

The District participates in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP). The MBP's business and affairs are conducted by an eleven-member committee consisting of various EPC representatives that are elected by the general assembly. Either the superintendent or Treasurer from each participating school district serves on the general assembly. Each year, the participating school districts pay an enrollment fee to the MBP to cover the costs of administering the program.

**18. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 District at June 30, 2006.

**B. Litigation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006  
(Continued)**

**19. INTERFUND TRANSACTIONS**

During the year ended June 30, 2006 the General Fund transferred \$15,500 to Other Non-major Governmental Funds. These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.



**Clark, Schaefer, Hackett & Co.**  
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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

Board of Education  
Yellow Springs Exempted Village School District  
201 South Walnut Street  
Yellow Springs, Ohio 45387

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yellow Springs Exempted Village School District (the District), as of and for the year ended June 30, 2006 and June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 28, 2007, wherein we noted the District implemented GASB Statement No. 40 and GASB Technical Bulletin 2004-2 for the year ended June 30, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 an opinion 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 that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts 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.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated March 28, 2007.

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

*Clark, Schaefer, Hackett & Co.*

Springfield, Ohio  
March 28, 2007





**Mary Taylor, CPA**  
Auditor of State

**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  
MAY 29, 2007**