



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

REGULAR AUDIT

JULY 1, 2000 THROUGH JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Yellow Springs Exempted Village School District, Greene County, (the District), as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Yellow Springs Exempted Village School District, Greene County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Jim Petro
Auditor of State

November 9, 2001

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets and Other Debits				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,328,601	\$125,978	\$154,584	\$4,636,941
Cash and Cash Equivalents With Fiscal Agents		1,484		
Receivables:				
Taxes	3,286,707		286,209	117,076
Accounts	53,374	121		
Accrued Interest	5,402			
Interfund	2,985			
Inventory of Supplies and Materials				
Inventory Held for Resale				
Prepaid Items	1,985			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,479			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided for Retirement of General Long-Term Obligations				
Total Assets and Other Debits	<u>4,698,533</u>	<u>127,583</u>	<u>440,793</u>	<u>4,754,017</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	19,943	8,888		32,036
Accrued Wages and Benefits Payable	442,209	5,396		
Intergovernmental Payable	106,851	1,270		
Undistributed Monies				
Due to Students				
Deferred Revenue	3,048,505		265,303	108,853
Compensated Absences Payable	95,757			
Interfund Payable		2,985		
Accrued Interest Payable				117,184
Notes Payable				4,702,800
Capital Leases Payable				
Energy Conservation Loan Payable				
Total Liabilities	<u>3,713,265</u>	<u>18,539</u>	<u>265,303</u>	<u>4,960,873</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balance:				
Reserved for Encumbrances	31,226	11,207		187,291
Reserved for Property Taxes	238,202		20,906	8,223
Reserved for Budget Stabilization	19,479			
Unreserved:				
Undesignated (Deficit)	696,361	97,837	154,584	(402,370)
Total Fund Equity (Deficit) and Other Credits	<u>985,268</u>	<u>109,044</u>	<u>175,490</u>	<u>(206,856)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,698,533</u>	<u>\$127,583</u>	<u>\$440,793</u>	<u>\$4,754,017</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$21,685	\$22,845			\$6,290,634
				1,484
				3,689,992
				53,495
				5,402
				2,985
414				414
667				667
				1,985
				19,479
2,499		11,127,518		11,130,017
			175,490	175,490
			373,581	373,581
<u>25,265</u>	<u>22,845</u>	<u>11,127,518</u>	<u>549,071</u>	<u>21,745,625</u>
	1,718			\$62,585
				447,605
			40,733	148,854
	2,957			2,957
	11,963			11,963
183				3,422,844
			276,600	372,357
				2,985
				117,184
				4,702,800
			89,738	89,738
			142,000	142,000
<u>183</u>	<u>16,638</u>		<u>549,071</u>	<u>9,523,872</u>
		11,127,518		11,127,518
4,309				4,309
20,773				20,773
	3,593			233,317
				267,331
				19,479
	2,614			549,026
<u>25,082</u>	<u>6,207</u>	<u>11,127,518</u>		<u>12,221,753</u>
<u>\$25,265</u>	<u>\$22,845</u>	<u>\$11,127,518</u>	<u>\$549,071</u>	<u>\$21,745,625</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Revenues:						
Taxes	\$3,383,910		\$101,879	\$164,023		\$3,649,812
Intergovernmental	1,463,952	196,929	15,178	39,144		1,715,203
Tuition and Fees	360,522					360,522
Interest	107,428			119,463		226,891
Extracurricular Activities		54,760			218	54,978
Gifts and Donations		14,639		8,125	1,150	23,914
Rent	59,370	25				59,395
Miscellaneous	47,887	500			3,267	51,654
Total Revenues	5,423,069	266,853	117,057	330,755	4,635	6,142,369
Expenditures:						
Current:						
Instruction:						
Regular	2,946,528	86,164		38,601		3,071,293
Special	253,779	89,838				343,617
Support Services:						
Pupils	137,246	3,350				140,596
Instructional Staff	317,102	25,047				342,149
Board of Education	25,521					25,521
Administration	573,290	2,852				576,142
Fiscal	201,467		2,173	2,037		205,677
Operation and Maintenance of Plant	457,871	297		1,825		459,993
Pupil Transportation	188,660			39,668		228,328
Central	13,445	6,287				19,732
Operation of Non-Instructional Services	1,828					1,828
Extracurricular Activities	108,488	74,485			133	183,106
Capital Outlay	10,715	15,542		274,775		301,032
Debt Service:						
Principal Retirement	67,137					67,137
Interest and Fiscal Charges	18,728			123,508		142,236
Total Expenditures	5,321,805	303,862	2,173	480,414	133	6,108,387
Excess of Revenues Over (Under) Expenditures	101,264	(37,009)	114,884	(149,659)	4,502	33,982
Other Financing Sources (Uses):						
Operating Transfers - In		12,000	42,574			54,574
Operating Transfers - Out	(12,000)			(42,574)		(54,574)
Total Other Financing Sources (Uses)	(12,000)	12,000	42,574	(42,574)		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	89,264	(25,009)	157,458	(192,233)	4,502	33,982
Fund Balances (Deficit) at Beginning of Year Restated - (See Note 3)	896,004	134,053	18,032	(14,623)	1,705	1,035,171
Fund Balances (Deficit) at End of Year	\$985,268	\$109,044	\$175,490	(\$206,856)	\$6,207	\$1,069,153

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$3,580,031	\$3,503,287	(\$76,744)			
Intergovernmental	1,425,832	1,463,952	38,120	183,782	235,483	51,701
Tuition and Fees	179,543	307,928	128,385			
Interest	67,870	102,026	34,156			
Extracurricular Activities				72,907	54,639	(18,268)
Gifts and Donations				6,537	14,639	8,102
Rent	63,088	59,370	(3,718)	202	25	(177)
Miscellaneous	1,365	39,890	38,525			
Total Revenues	<u>5,317,729</u>	<u>5,476,453</u>	<u>158,724</u>	<u>263,428</u>	<u>304,786</u>	<u>41,358</u>
Expenditures:						
Current:						
Instruction:						
Regular	2,739,122	2,617,993	121,129	98,524	90,205	8,319
Special	258,776	249,836	8,940	95,326	90,040	5,286
Other	256,000	254,067	1,933			
Support Services:						
Pupils	131,041	121,854	9,187	3,559	3,350	209
Instructional Staff	345,687	316,780	28,907	39,520	30,387	9,133
Board of Education	27,754	26,599	1,155			
Administration	611,311	581,810	29,501	4,562	3,426	1,136
Fiscal	218,794	209,674	9,120			
Operation and Maintenance of Plant	486,771	457,435		745	297	448
Pupil Transportation	186,705	180,070	6,635			
Central	21,811	13,744	8,067	13,366	6,287	7,079
Operation of Non-Instructional Services	4,500	3,462	1,038			
Extracurricular Activities	117,463	108,227	9,236	109,019	76,752	32,267
Capital Outlay	23,314	18,684	4,630	15,542	15,542	
Debt Service:						
Principal Retirement	35,500	35,500				
Interest and Fiscal Charges	10,366	10,366				
Total Expenditures	<u>5,474,915</u>	<u>5,206,101</u>	<u>268,814</u>	<u>380,163</u>	<u>316,286</u>	<u>63,877</u>
Excess of Revenues Over (Under) Expenditures	<u>(157,186)</u>	<u>270,352</u>	<u>427,538</u>	<u>(116,735)</u>	<u>(11,500)</u>	<u>105,235</u>
Other Financing Sources (Uses):						
Refund of Prior Year Expenditures	2,500	7,524	5,024			
Operating Transfers - In				12,000	12,000	
Proceeds from Sale of Long-Term Notes						
Other Financing Sources				500	500	
Operating Transfers - Out	(12,000)	(12,000)				
Advances - In		13,843	13,843			
Advances - Out				(13,843)	(13,843)	
Total Other Financing Sources (Uses)	<u>(9,500)</u>	<u>9,367</u>	<u>18,867</u>	<u>(1,343)</u>	<u>(1,343)</u>	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(166,686)</u>	<u>279,719</u>	<u>446,405</u>	<u>(118,078)</u>	<u>(12,843)</u>	<u>105,235</u>
Fund Balances at Beginning of Year	986,175	986,175		93,278	93,278	
Prior Year Encumbrances Appropriated	37,521	37,521		26,990	26,990	
Fund Balances at End of Year	<u>\$857,010</u>	<u>\$1,303,415</u>	<u>\$446,405</u>	<u>\$2,190</u>	<u>\$107,425</u>	<u>\$105,235</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$192,064	\$159,362	(\$32,702)	\$119,239	\$89,865	(\$29,374)			
18,293	15,178	(3,115)	26,231	39,144	12,913			
				86,372	86,372	236	218	(18)
			26,000	8,125	(17,875)	702	1,150	448
<u>210,357</u>	<u>174,540</u>	<u>(35,817)</u>	<u>171,470</u>	<u>223,506</u>	<u>52,036</u>	<u>938</u>	<u>1,368</u>	<u>430</u>
			50,733	38,735	11,998	728		728
3,000	2,173	827	2,790	2,037	753			
			4,600	3,585	1,015			
			42,500	40,968	1,532			
						4,601	3,726	875
			539,299	462,714	76,585			
67,600	67,600							
10,789	10,789							
<u>81,389</u>	<u>80,562</u>	<u>827</u>	<u>639,922</u>	<u>548,039</u>	<u>91,883</u>	<u>5,329</u>	<u>3,726</u>	<u>1,603</u>
<u>128,968</u>	<u>93,978</u>	<u>(34,990)</u>	<u>(468,452)</u>	<u>(324,533)</u>	<u>143,919</u>	<u>(4,391)</u>	<u>(2,358)</u>	<u>2,033</u>
	42,574	42,574	377,500	4,500,000	4,122,500	3,530	3,267	(263)
			(42,574)	(42,574)				
	<u>42,574</u>	<u>42,574</u>	<u>334,926</u>	<u>4,457,426</u>	<u>4,122,500</u>	<u>3,530</u>	<u>3,267</u>	<u>(263)</u>
128,968	136,552	7,584	(133,526)	4,132,893	4,266,419	(861)	909	1,770
18,032	18,032		234,789	234,789		1,705	1,705	
			16,841	16,841				
<u>\$147,000</u>	<u>\$154,584</u>	<u>\$7,584</u>	<u>\$118,104</u>	<u>\$4,384,523</u>	<u>\$4,266,419</u>	<u>\$844</u>	<u>\$2,614</u>	<u>\$1,770</u>

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

Operating Revenues:	
Sales	\$87,743
Other Revenues	<u>162</u>
Total Operating Revenues	<u>87,905</u>
Operating Expenses:	
Purchased Services	1,052
Supplies and Materials	164
Cost of Sales	110,534
Depreciation	<u>648</u>
Total Operating Expenses	<u>112,398</u>
Operating Loss	<u>(24,493)</u>
Non-Operating Revenues:	
Federal and State Subsidies	16,220
Interest	2,629
Federal Donated Commodities	<u>6,908</u>
Total Non-Operating Revenues	<u>25,757</u>
Net Income	1,264
Retained Earnings at Beginning of Year	<u>19,509</u>
Retained Earnings at End of Year	20,773
Contributed Capital at Beginning and End of Year	<u>4,309</u>
Total Fund Equity at End of Year	<u><u>\$25,082</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - BUDGET (NON-GAAP BASIS) AND ACTUAL
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Sales	\$90,000	\$87,743	(\$2,257)
Charges for Services	398		(398)
Interest	1,463	2,629	1,166
Federal and State Subsidies	18,872	16,220	(2,652)
Other Revenues	<u>(1,233)</u>	<u>162</u>	<u>1,395</u>
Total Revenues	<u>109,500</u>	<u>106,754</u>	<u>(2,746)</u>
Expenses:			
Purchased Services	108,000	104,650	3,350
Supplies and Materials	<u>728</u>	<u>227</u>	<u>501</u>
Total Expenses	<u>108,728</u>	<u>104,877</u>	<u>3,851</u>
Excess of Revenues Over Expenses	772	1,877	1,105
Fund Equity at Beginning of Year	19,554	19,554	
Prior Year Encumbrances Appropriated	<u>126</u>	<u>126</u>	
Fund Equity at End of Year	<u>\$20,452</u>	<u>\$21,557</u>	<u>\$1,105</u>

See Accompanying Notes to the General Purpose Financial Statements.

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

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Total
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$87,743
Cash Payments to Suppliers for Goods and Services	(104,749)
Cash Received from Other Operating Activities	162
Net Cash Provided By (Used in) Operating Activities	(16,844)
Cash Flows from Noncapital Financing Activities:	
Federal and State Subsidies	16,220
Cash Flows from Investing Activities:	
Interest	2,629
Net Increase (Decrease) in Cash and Cash Equivalents	2,005
Cash and Cash Equivalents Beginning of Year	19,680
Cash and Cash Equivalents End of Year	21,685
 Reconciliation of Operating Income (Loss) to Net Cash Used In Operating Activities:	
Operating Income (Loss)	(24,493)
 Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Depreciation	648
Donated Commodities Received	6,908
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	
Decrease in Deferred Revenue	
Decrease in Supplies Inventory	65
Decrease in Inventory Held for Resale	220
(Decrease) in Deferred Revenue	(192)
Net Cash Provided By (Used In) Operating Activities	(\$16,844)

See Accompanying Notes to the general Purpose Financial Statements.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT

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

A. Reporting Entity

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

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

The School District is associated with four jointly governed organizations and one insurance purchasing pool. These organizations are the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Council, Southwestern Ohio Instructional Technology Association, the Greene County Career Center and the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan, respectively. These organizations are presented in Notes 18 and 19 to the general purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis Of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds

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

Capital Projects Funds

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Fund Type:

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

Enterprise Funds

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

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the School District, other than those accounted for in the enterprise or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the School District except those accounted for in the enterprise or trust funds.

B. Measurement Focus and Basis of Accounting

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

All enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental and fiduciary funds. The full accrual basis of accounting is followed for the enterprise funds.

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. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Budgetary Process

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

1. Tax Budget:

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

2. Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the function level of expenditures, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education.

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

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for enterprise funds.

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including enterprise funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet. The balance of the Eisenhower and preschool grant activity administered by the fiscal agent is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents." This represents deposits held with the Greene County Educational Service Center.

During fiscal year 2001, investments were limited to a money market mutual fund, a repurchase agreement, federal home loan bank notes and federal home loan mortgage notes. Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost.

The Board of Education has, by resolution, specified the general fund to receive interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$107,428, which includes \$53,871 assigned from other School District funds.

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

E. Inventory

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

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and as an expenditure is reported in the year in which services are consumed.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fixed Assets and Depreciation

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

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

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

H. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 20 for additional information regarding set-asides.

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In enterprise funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

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

Long-term obligations financed by enterprise funds are reported as liabilities in the appropriate funds. Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principles require the reporting of the liability in the funds that receive the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest on short-term notes have also been allocated accordingly.

L. Interfund Transactions

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, 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 money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Contributed Capital

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

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

O. Estimates

The preparation of the 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.

P. Total Columns on General Purpose Financial Statements

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

3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

Changes in Accounting Principles - For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues." At June 30, 2000, there was no effect on fund balance as a result of implementing GASB Statements 33 and 36.

Restatement of Fund Balance - During fiscal year 2001, it was determined that interfund balances were misstated in the prior year. This restatement had the following effect on fund balances as they were previously reported.

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Totals</u>
Fund Balances at June 30, 2000	\$887,847	\$142,210	\$1,030,057
Interfund Balances	8,157	(8,157)	0
Adjusted Fund Balances June 30, 2001	<u>\$896,004</u>	<u>\$134,053</u>	<u>\$1,030,057</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

4. ACCOUNTABILITY

At June 30, 2001, the Title I Special Revenue Fund had a deficit fund balance of \$2,465. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur. The permanent improvement and building capital projects funds had deficit fund balances of \$104,981 and \$125,161, respectively. These deficits are a result of the notes payable being reported as a fund liability. The fund deficits will be eliminated when bonds are issued and resources are provided for the retirement of the notes.

5. BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).
4. Principal payments on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis.)
6. The School District does not budget for the activities of the Eisenhower and preschool grant special revenue funds administered by the fiscal agent who collects and holds the assets. However, the activities of the fiscal agent that pertain to the School District are included in the special revenue funds for GAAP reporting purposes.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$89,264	(\$25,009)	\$157,458	(\$192,233)	\$4,502
Revenue Accruals	60,908	38,433	57,483	(74,158)	0
Expenditure Accruals	160,373	6,129	(10,789)	151,702	0
Prepaid Items	(6)	0	0	0	0
Debt Payment	0	0	(67,600)	0	0
Proceeds of Notes	0	0	0	4,500,000	0
Change in Fair Market Value of Investments	0	0	0	(33,091)	0
Advances	13,843	(13,843)	0	0	0
Encumbrances	(44,663)	(18,553)	0	(219,327)	(3,593)
Budget Basis	<u>\$279,719</u>	<u>(\$12,843)</u>	<u>\$136,552</u>	<u>\$4,132,893</u>	<u>\$909</u>

**Net Income/Excess of Revenues Over Expenses
All Enterprise Funds**

GAAP Basis	\$1,264
Expense Accruals	378
Materials and Supplies Inventory	(65)
Inventory Held for Resale	(220)
Depreciation	648
Encumbrances	(128)
Budget Basis	<u>\$1,877</u>

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

At June 30, 2001, the School District had "cash and cash equivalents with fiscal agent" in the special revenue funds of \$1,484. The money is held by the Greene County Educational Service Center which is the fiscal agent of several other school districts and therefore cannot be classified by risk under GASB Statement 3. The classification of cash and cash equivalents for the Greene County Educational Service Center as a whole can be obtained by writing to Chip Arledge at the Greene County Educational Service Center, 360 East Enon Rd., Yellow Springs, Ohio 45385-1415.

Deposits: At year end, the carrying amount of the School District's deposits was \$1,432,629 and the bank balance was \$1,512,648. Of the bank balance:

1. \$105,197 was covered by federal depository insurance; and
2. \$1,407,451 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District held to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. Investments in money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Category 3</u>	<u>Unclassified</u>	<u>Fair Value</u>
Repurchase Agreement	\$0	\$258,022	\$0	\$258,022
Money Market Funds	0	0	394,437	394,437
Federal Home Loan Bank Notes	3,228,725	0	0	3,228,725
Federal Home Loan Mortgage Notes	996,300	0	0	996,300
Totals	<u>\$4,225,025</u>	<u>\$258,022</u>	<u>\$394,437</u>	<u>\$4,877,484</u>

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$6,311,597	\$0
Cash Held with the Greene County Educational Service Center	(1,484)	0
Investments:		
Repurchase Agreement	(258,022)	258,022
Money Market Funds	(394,437)	394,437
Federal Home Loan Bank Notes	(3,228,725)	3,228,725
Federal Home Loan Mortgage Notes	(996,300)	996,300
GASB Statement No. 3	\$1,432,629	\$4,877,484

7. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised marketvalue.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$77,521,130	84.22%	\$77,907,160	86.76%
Public Utility	10,303,732	11.20	9,057,279	10.09
Tangible Personal Property	4,219,240	4.58	2,828,450	3.15
Total Assessed Value	\$92,044,102	100.00%	\$89,792,889	100.00%
Tax rate per \$1,000 of assessed valuation	\$74.95		\$78.35	

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. PROPERTY TAXES (Continued)

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The School District receives property taxes from Greene County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding, and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30 is recognized as revenue.

At June 30, 2001, \$238,202 was available as an advance to the general fund, \$20,906 was available to the debt service fund, and \$8,223 was available to the permanent improvement capital projects fund.

8. RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (rent, billings for user charged services, and student fees) interest and interfund. All receivables are considered collectible in full.

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$108,858
Less Accumulated Depreciation	(106,359)
Net Fixed Assets	<u><u>\$2,499</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

9. FIXED ASSETS (Continued)

<u>Asset Category</u>	<u>Balance at 6/30/00</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 6/30/01</u>
Land and Improvements	\$5,661,192	\$122,015	\$0	\$5,783,207
Buildings and Improvements	3,533,165	29,986	0	3,563,151
Furniture, Fixtures and Equipment	1,531,462	134,430	213,315	1,452,577
Vehicles	338,435	69,000	78,852	328,583
Totals	<u>\$11,064,254</u>	<u>\$355,431</u>	<u>\$292,167</u>	<u>\$11,127,518</u>

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the School District contracted with Nationwide Insurance Company for general liability insurance with a \$1,000,000 single occurrence limit and a \$5,000,000 aggregate. Property is protected by Indiana Insurance Company with a \$14,542,600 aggregate limit and holds a \$1,000 deductible.

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

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

B. Workers' Compensation

For fiscal year 2001, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Integrated Comp Inc., provides administrative, cost control, and actuarial services to the GRP.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$35,925, \$29,636, and \$42,584 respectively; 40.69 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$21,309 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6.0 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$156,720, \$163,206, and \$132,315, respectively; 82.03 percent was contributed for year 2001, and 100 percent for fiscal years 2000 and 1999. \$28,159 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement Systems have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2001, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid. The remaining members of the Board of Education have elected SERS.

12. POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$217,608 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$60,093.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

13. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

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

B. Health Care Benefits

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

14. CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the School District had entered into capitalized leases for copiers and telephone equipment. Each lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments are reflected as debt service expenditures in the combined financial statements for the general fund. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of equipment and furniture and fixtures have been capitalized in the general fixed assets account group in the amount of \$165,622. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2001 totaled \$31,637 in the general fund.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. CAPITAL LEASES - LESSEE DISCLOSURE (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, 2001.

Fiscal Year Ending June 30,	GLTOAG
2002	\$39,999
2003	39,999
2004	21,400
Total	101,398
Less: Amount Representing Interest	(11,660)
Present Value of Net Minimum Lease Payments	\$89,738

15. SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the fiscal year ended June 30, 2001, follows:

Fund Type/Issue	Interest Rate	Principal Outstanding 6/30/00	Additions	Deductions	Principal Outstanding 6/30/01
Capital Project Funds:					
Tax Anticipation Notes	3.99%	\$270,400	\$0	\$67,600	\$202,800
Bond Anticipation Notes	4.81%	0	4,500,000	0	4,500,000
Total All Funds		\$270,400	\$4,500,000	\$67,600	\$4,702,800

The School District issued tax anticipation notes on February 1, 2000 for the purpose of permanent improvements.

In fiscal year 2001, the School District issued bond anticipation note in the amount of \$4,500,000. This note is a one year note issued for the purpose of permanent improvements. The voters in the School District approved a new levy to provide resources to pay off the note.

Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$67,600	\$8,092	\$75,692
2003	67,600	5,394	72,994
2004	67,600	2,697	70,297
Total	\$202,800	\$16,183	\$218,983

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2001 were as follows:

	<u>Amount Outstanding 6/30/00</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 6/30/01</u>
Energy Conservation Loan 1994-2005 5.84%	\$177,500	\$0	\$35,500	\$142,000
Capital Leases	121,375	0	31,637	89,738
Intergovernmental Payable	40,316	40,733	40,316	40,733
Compensated Absences	323,145	0	46,545	276,600
Total General Long-Term Obligations	<u>\$662,336</u>	<u>\$40,733</u>	<u>\$153,998</u>	<u>\$549,071</u>

A. Energy Conservation Loan

Yellow Springs Exempted Village School District received a total of \$593,566 from an unvoted general obligation loan for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The loan was issued with final maturity during fiscal year 2005. The loan will be retired from the general fund with savings which are anticipated from the energy conservation improvements.

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

The School District's overall legal debt margin was \$3,554,050, the energy conservation debt margin was \$666,136 and the unvoted debt margin was \$89,793 at June 30, 2001.

Principal and interest requirements to retire the energy conservation loan outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$35,500	\$8,293	\$43,793
2003	35,500	6,220	41,720
2004	35,500	4,146	39,646
2005	35,500	2,073	37,573
Total	<u>\$142,000</u>	<u>\$20,732</u>	<u>\$162,732</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and school employability lab. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2001.

	Food Service	School Employability Lab	Total Enterprise Funds
Operating Revenues	\$87,842	\$63	\$87,905
Depreciation	648	0	648
Operating Income (Loss)	(24,556)	63	(24,493)
Federal and State Subsidies	16,220	0	16,220
Interest	2,629	0	2,629
Federal Donated Commodities	6,908	0	6,908
Net Income	1,201	63	1,264
Net Working Capital	21,803	296	22,099
Total Assets	24,969	296	25,265
Total Fund Equity	24,786	296	25,082
Total Encumbrances	18	110	128

18. JOINTLY GOVERNED ORGANIZATIONS

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

MVECA is not accumulating significant financial resources nor is it experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. The School District paid MVECA \$6,531 for services provided during the fiscal year. Complete financial statements can be obtained from Gary Boserman at MVECA located at 330 Enon Road, Yellow Springs, Ohio 45387.

Southwestern Ohio Educational Purchasing Council -The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing council made up of nearly 100 school districts in 12 counties. The 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. During fiscal year 2001, the Yellow Springs Exempted Village School District paid \$567 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. JOINTLY GOVERNED ORGANIZATIONS (Continued)

Southwestern Ohio Instructional Technology Association - 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 2001, the Yellow Springs Exempted Village School District paid \$506 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Steve Straus, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

Greene County Career Center - The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. During fiscal year 2001, the Yellow Springs Exempted Village School District paid \$0 to the Greene County Career Center. To obtain financial information, write to the Greene County Career Center, Steve Sutcliffe, who serves as treasurer, at 2960 W. Enon Rd., Xenia, OH 45385.

19. INSURANCE PURCHASING POOL

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

20. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

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/ Instructional Materials</u>	<u>Capital Improvement</u>	<u>Budget Stabilization</u>
Set-aside Reserve Balance as of June 30, 2000	(\$51,215)	(\$51,836)	\$78,847
Current Year Set-aside Requirement	126,060	126,060	0
Reduction in Requirement based on revised legislation	0	0	(59,368)
Current Year Offsets	0	(89,865)	0
Qualifying Disbursements	(180,098)	(78,272)	0
Totals	<u>(\$105,253)</u>	<u>(\$93,913)</u>	<u>\$19,479</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$105,523)</u>	<u>(\$93,913)</u>	<u>\$19,479</u>
Set-aside Reserve Balances as of June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$19,479</u>

The School District had qualifying offsets and disbursements during the fiscal year that reduced the both the textbook/instructional materials and capital improvement set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirement in future fiscal years. The total reserve balance for the budget stabilization set-aside at the end of the fiscal year was \$19,479.

21. INTERFUND ACTIVITY

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

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

22. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2001.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. CONTINGENCIES (Continued)

B. Litigation

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

23. SUBSEQUENT EVENTS

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of November 9, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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



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

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

To the Board of Education:

We have audited the financial statements of Yellow Springs Exempted Village School District (the District), Greene County, as of and for the year ended June 30, 2001 and have issued our report thereon dated November 9, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated November 9, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 9, 2001.

Yellow Springs Exempted Village School District
Greene County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

November 9, 2001



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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
DECEMBER 18, 2001**