



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**





**Auditor of State  
Betty Montgomery**

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January 21, 2003

The attached audit was conducted and prepared for release prior to the commencement of my term of office on January 13, 2003. Thus, I am releasing this audit under the signature of my predecessor.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State



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

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**INDEPENDENT ACCOUNTANTS' REPORT**

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, 2002, 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, 2002, 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 December 20, 2002, 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.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 20, 2002

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YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
GREENE COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and Other Debits:</b>				
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$1,241,453	\$110,618	\$193,883	\$4,368,604
Cash and Cash Equivalents With Fiscal Agents		434		
Receivables:				
Taxes	2,974,642		271,728	117,113
Income Tax	220,682			
Accounts	7,844			
Intergovernmental	5,152	2,567		
Accrued Interest	33,535			
Interfund Receivable	26			
Prepaid Items	5,145			
Inventory Held for Resale				
Materials and Supplies Inventory				
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	29,365			
Fixed Assets (Net of Accumulated Depreciation)				
<b>Other Debits:</b>				
Amount Available in Debt Service Fund for the Retirement of General Obligations				
Amount to be Provided from General Government Resources				
<b>Total Assets and Other Debits</b>	<u>\$4,517,844</u>	<u>\$113,619</u>	<u>\$465,611</u>	<u>\$4,485,717</u>
<b>Liabilities, Fund Equity and Other Credits:</b>				
<b>Liabilities:</b>				
Accounts Payable	\$26,484	\$354		\$8,308
Contracts Payable				199,453
Accrued Wages and Benefits	460,351	5,546		
Compensated Absences Payable	18,790			
Retainage Payable				18,377
Interfund Payable		26		
Intergovernmental Payable	90,568	1,544		
Deferred Revenue	2,771,847	1,440	244,862	106,548
Undistributed Monies				
Accrued Interest Payable				2,217
Notes Payable				135,200
Capital Leases Payable				
Due to Others				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
<b>Total Liabilities</b>	<u>3,368,040</u>	<u>8,910</u>	<u>244,862</u>	<u>470,103</u>
<b>Fund Equity and Other Credits:</b>				
Investment in General Fixed Assets				
Contributed Capital				
<b>Retained Earnings:</b>				
Unreserved				
<b>Fund Balance:</b>				
Reserved for Encumbrances	41,565	3,845		431,149
Reserved for Property Taxes	262,965		26,866	10,565
Reserved for Budget Stabilization	19,479			
Reserved for School Bus Purchases	9,886			
Unreserved:				
Designated for Budget Stabilization	59,368			
Undesignated (Deficit)	756,541	100,864	193,883	3,573,900
<b>Total Fund Equity and Other Credits</b>	<u>1,149,804</u>	<u>104,709</u>	<u>220,749</u>	<u>4,015,614</u>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<u>\$4,517,844</u>	<u>\$113,619</u>	<u>\$465,611</u>	<u>\$4,485,717</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$33,410	\$27,827			\$5,975,795 434
				3,363,483
				220,682
				7,844
2,341				10,060
				33,535
				26
				5,145
1,388				1,388
404				404
				29,365
4,541		11,010,795		11,015,336
			220,749	220,749
			4,757,848	4,757,848
<u>42,084</u>	<u>27,827</u>	<u>11,010,795</u>	<u>4,978,597</u>	<u>25,642,094</u>
12,651				47,797
				199,453
				465,897
			331,113	349,903
				18,377
				26
			42,209	134,321
				3,124,697
	13,118			13,118
				2,217
				135,200
			78,775	78,775
	13,880			13,880
			106,500	106,500
			4,420,000	4,420,000
<u>12,651</u>	<u>26,998</u>		<u>4,978,597</u>	<u>9,110,161</u>
		11,010,795		11,010,795
7,337				7,337
22,096				22,096
	100			476,659
				300,396
				19,479
				9,886
				59,368
	729			4,625,917
<u>29,433</u>	<u>829</u>	<u>11,010,795</u>		<u>16,531,933</u>
<u>\$42,084</u>	<u>\$27,827</u>	<u>\$11,010,795</u>	<u>\$4,978,597</u>	<u>\$25,642,094</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, 2002**

	<b>Governmental Fund Types</b>				<b>Fiduciary Fund Type</b>	<b>Totals (Memorandum Only)</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Expendable Trust</b>	
<b>Revenues:</b>						
Property Taxes	\$3,321,975		\$200,184	\$199,538		\$3,721,697
Income Tax	188,827					188,827
Intergovernmental	1,465,494	\$182,008	30,478	12,529		1,690,509
Interest	57,668			112,697		170,365
Tuition and Fees	358,403					358,403
Rent	60,180	315				60,495
Extracurricular Activities		90,383			\$50	90,433
Gifts and Donations		9,156		4,200		13,356
Customer Services	7,270					7,270
Miscellaneous	53,288					53,288
<b>Total Revenues</b>	<b>5,513,105</b>	<b>281,862</b>	<b>230,662</b>	<b>328,964</b>	<b>50</b>	<b>6,354,643</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,856,723	58,896		45,091	1,455	2,962,165
Special	315,432	57,932				373,364
Support Services:						
Pupils	110,028	53,459				163,487
Instructional Staff	344,750	33,260		17,000		395,010
Board of Education	29,563					29,563
Administration	617,429	574				618,003
Fiscal	231,409		4,771	2,227		238,407
Operation and Maintenance of Plant	447,672	745		16,246		464,663
Pupil Transportation	156,331					156,331
Central	23,347	2,500				25,847
Non-Instructional Services	5,670					5,670
Extracurricular Activities	114,739	93,816			3,973	212,528
Capital Outlay	67,563			571,100		638,663
Debt Service:						
Principal Retirement	65,491					65,491
Interest and Fiscal Charges	14,700			55,462		70,162
<b>Total Expenditures</b>	<b>5,400,847</b>	<b>301,182</b>	<b>4,771</b>	<b>707,126</b>	<b>5,428</b>	<b>6,419,354</b>
Excess of Revenues Over (Under) Expenditures	112,258	(19,320)	225,891	(378,162)	(5,378)	(64,711)
<b>Other Financing Sources (Uses):</b>						
Inception of Capital Lease	67,263					67,263
Proceeds from Sale of Bonds				4,420,000		4,420,000
Operating Transfers - In		14,985	61,705	242,337		319,027
Operating Transfers - Out	(14,985)		(242,337)	(61,705)		(319,027)
<b>Total Other Financing Sources (Uses)</b>	<b>52,278</b>	<b>14,985</b>	<b>(180,632)</b>	<b>4,600,632</b>		<b>4,487,263</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	164,536	(4,335)	45,259	4,222,470	(5,378)	4,422,552
Fund Balances at Beginning of Year	985,268	109,044	175,490	(206,856)	6,207	1,069,153
<b>Fund Balances at End of Year</b>	<b>\$1,149,804</b>	<b>\$104,709</b>	<b>\$220,749</b>	<b>\$4,015,614</b>	<b>\$829</b>	<b>\$5,491,705</b>

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, 2002**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Property Taxes	\$3,103,993	\$3,297,212	\$193,219			
Income Tax	64,504	28,315	(36,189)			
Intergovernmental	1,365,816	1,459,957	94,141	\$165,907	\$166,964	\$1,057
Interest	45,898	52,379	6,481			
Tuition and Fees	373,006	410,846	37,840			
Rent	57,988	59,980	1,992	105	315	210
Extracurricular Activities				72,145	75,984	3,839
Gifts and Donations				13,351	9,155	(4,196)
Miscellaneous	977	1,069	92			
<b>Total Revenues</b>	<u>5,012,182</u>	<u>5,309,758</u>	<u>297,576</u>	<u>251,508</u>	<u>252,418</u>	<u>910</u>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular	2,722,411	2,662,575	59,836	100,692	63,932	36,760
Special	308,913	305,920	2,993	47,246	40,561	6,685
Other	310,255	292,072	18,183			
Support Services:						
Pupils	133,237	123,692	9,545	53,014	52,985	29
Instructional Staff	363,891	347,905	15,986	49,046	36,329	12,717
Board of Education	34,300	33,271	1,029			
Administration	642,139	634,149	7,990	574	574	
Fiscal	245,147	241,184	3,963			
Operation and Maintenance of Plant	512,371	467,222	45,149	1,870	745	1,125
Pupil Transportation	170,387	161,473	8,914			
Central	24,122	21,335	2,787	19,072	2,500	16,572
Non-Instructional Services	6,000	5,879	121			
Extracurricular Activities	122,930	114,185	8,745	116,806	100,899	15,907
Capital Outlay	9,000	300	8,700	5,542		5,542
Debt Service:						
Principal Retirement	35,500	35,500				
Interest and Fiscal Charges	8,293	8,293				
<b>Total Expenditures</b>	<u>5,648,896</u>	<u>5,454,955</u>	<u>193,941</u>	<u>393,862</u>	<u>298,525</u>	<u>95,337</u>
Excess of Revenues Under Expenditures	<u>(636,714)</u>	<u>(145,197)</u>	<u>491,517</u>	<u>(142,354)</u>	<u>(46,107)</u>	<u>96,247</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds from Sale of Bonds						
Refund of Prior Year Expenditures	52,300	52,306	6			
Advances In				309	26	(283)
Advances-Out	(309)	(26)	283			
Operating Transfers-In	20,000		(20,000)	12,000	12,000	
Operating Transfers-Out	(32,000)	(32,000)				
Other Financing Sources				14,520	14,520	
<b>Total Other Financing Sources (Uses)</b>	<u>39,991</u>	<u>20,280</u>	<u>(19,711)</u>	<u>26,829</u>	<u>26,546</u>	<u>(283)</u>
Excess of Revenues and Other Financing Sources Under Expenditures and Other Financing Uses	<u>(596,723)</u>	<u>(124,917)</u>	<u>471,806</u>	<u>(115,525)</u>	<u>(19,561)</u>	<u>95,964</u>
Fund Balances at Beginning of Year	1,303,422	1,303,422		107,427	107,427	
Unexpended Prior Year Encumbrances	<u>44,662</u>	<u>44,662</u>		<u>18,552</u>	<u>18,552</u>	
<b>Fund Balances at End of Year</b>	<u>\$751,361</u>	<u>\$1,223,167</u>	<u>\$471,806</u>	<u>\$10,454</u>	<u>\$106,418</u>	<u>\$95,964</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)
\$85,040	\$269,916	\$184,876	\$116,178	\$121,505	\$5,327			
5,713	30,478	24,765	11,484	12,529	1,045			
				100,100	100,100			
			4,342	4,200	(142)	\$500	\$50	(\$450)
<u>90,753</u>	<u>300,394</u>	<u>209,641</u>	<u>132,004</u>	<u>238,334</u>	<u>106,330</u>	<u>500</u>	<u>50</u>	<u>(450)</u>
			51,001	46,093	4,908	1,455	1,455	
			12,000	17,000	(5,000)			
5,000	4,771	229	2,790	2,227	563			
			16,440	16,246	194			
			1,300		1,300			
			1,602,460	812,747	789,713	6,443	4,072	2,371
4,567,600	4,567,600							
170,429	170,429							
<u>4,743,029</u>	<u>4,742,800</u>	<u>229</u>	<u>1,685,991</u>	<u>894,313</u>	<u>791,678</u>	<u>7,898</u>	<u>5,527</u>	<u>2,371</u>
<u>(4,652,276)</u>	<u>(4,442,406)</u>	<u>209,870</u>	<u>(1,553,987)</u>	<u>(655,979)</u>	<u>898,008</u>	<u>(7,398)</u>	<u>(5,477)</u>	<u>1,921</u>
4,420,000	4,420,000							
75,692	61,705	(13,987)	(61,705)	(61,705)		4,250		(4,250)
<u>4,495,692</u>	<u>4,481,705</u>	<u>(13,987)</u>	<u>(61,705)</u>	<u>(61,705)</u>		<u>4,250</u>		<u>(4,250)</u>
(156,584)	39,299	195,883	(1,615,692)	(717,684)	898,008	(3,148)	(5,477)	(2,329)
154,584	154,584		4,384,526	4,384,526		2,613	2,613	
			219,327	219,327		3,593	3,593	
<u>(\$2,000)</u>	<u>\$193,883</u>	<u>\$195,883</u>	<u>\$2,988,161</u>	<u>\$3,886,169</u>	<u>\$898,008</u>	<u>\$3,058</u>	<u>\$729</u>	<u>(\$2,329)</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, 2002**

	<b>Enterprise</b>
<b>Operating Revenues:</b>	
Sales	\$84,305
Other Operating Revenues	195
<b>Total Operating Revenues</b>	<b>84,500</b>
<b>Operating Expenses:</b>	
Purchased Services	60,755
Materials and Supplies	94
Cost of Sales	46,198
Depreciation	986
<b>Total Operating Expenses</b>	<b>108,033</b>
Operating Loss	<b>(23,533)</b>
<b>Non-Operating Revenues:</b>	
Interest	335
Federal Donated Commodities	7,086
Federal and State Subsidies	17,436
<b>Total Non-Operating Revenues</b>	<b>24,857</b>
Net Income	1,324
Retained Earnings at Beginning of Year	20,772
Retained Earnings at End of Year	22,096
Contributed Capital at Beginning of Year	4,309
Capital contributions	3,028
Contributed Capital and Capital Contributions at End of Year	7,337
Total Fund Equity at End of Year	<b>\$29,433</b>

*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) AND ACTUAL  
ALL ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<b>Enterprise Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Sales	\$110,997	\$84,305	(\$26,692)
Charges for Services	400		(400)
Federal and State Subsidies	19,100	15,094	(4,006)
Interest	1,900	335	(1,565)
Other	3	12	9
<b>Total Revenues</b>	<u>132,400</u>	<u>99,746</u>	<u>(32,654)</u>
<b>Expenses:</b>			
Purchased Services	108,000	105,000	3,000
Materials and Supplies	778	238	540
<b>Total Expenses</b>	<u>108,778</u>	<u>105,238</u>	<u>3,540</u>
Excess of Revenues Over (Under) Expenses	23,622	(5,492)	(29,114)
Fund Equity at Beginning of Year	21,558	21,558	
Prior Year Encumbrances Appropriated	<u>128</u>	<u>128</u>	
Fund Equity at End of Year	<u>\$45,308</u>	<u>\$16,194</u>	<u>(\$29,114)</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  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	<u>Enterprise</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>	
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$84,305
Cash Received from Other Operating Sources	12
Cash Payments to Suppliers for Goods and Services	<u>(88,020)</u>
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>(3,703)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>	
Federal and State Subsidies Received	15,094
<b>Cash Flows from Investing Activities:</b>	
Interest on Investments	<u>335</u>
Net Increase in Cash and Cash Equivalents	11,726
Cash and Cash Equivalents at Beginning of Year	<u>21,684</u>
Cash and Cash Equivalents at End of Year	<u><u>33,410</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>	
Operating Income (Loss)	<u>(23,533)</u>
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>	
Depreciation	986
Donated Commodities Used During Year	7,087
<b>Changes in Assets and Liabilities:</b>	
Decrease in Materials and Supplies Inventory	10
Increase in Inventory Held for Resale	(721)
Increase in Accounts Payable	12,651
Decrease in Deferred Revenue	<u>(183)</u>
Total Adjustments	19,830
Net Cash Provided by (Used for) Operating Activities	<u><u>(\$3,703)</u></u>

**Non-Cash Transactions:**

The Food Service Enterprise Fund received \$7,086 in donated commodities and \$3,028 in contributed fixed assets during the fiscal year.

*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, 2002**

**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 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 ensure that the financial statements are not misleading. The primary government of the School District 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 has no component units.

The School District participates in four jointly governed organizations and two insurance purchasing pools. These organizations are the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, the Greene County Career Center, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan and Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 19 and 20 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, 2002  
(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 Fund**

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

**Capital Projects Funds**

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by 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, 2002  
(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 only 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 an agency fund and an expendable trust fund. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The expendable trust fund is accounted for in essentially the same manner as governmental funds.

**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 and the expendable trust fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(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 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. Enterprise funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

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 modified 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, income taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is required in the fiscal year in which the exchange on which the tax is imposed takes place and 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, income tax, grants, interest, tuition, 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, 2002, but which were levied to finance fiscal year 2003 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.

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.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, by fund, cannot exceed estimated resources, as certified.

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The Eisenhower, Preschool, Drug Free School, and Goals 2000 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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

**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 amended certificate in effect at the time the final appropriations were passed.

**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. 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 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, must be approved by the Board of Education.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the Eisenhower, Preschool, Drug Free School, and Goals 2000 Special Revenue Funds and the agency fund, at the function level, 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.

**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 2002, 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 2002 amounted to \$57,668, which includes \$42,795 assigned from other School District funds.



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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 enterprise funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of enterprise funds consist of donated and purchased food held for resale, and non-food supplies and are expensed when consumed.

**F. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2002, 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.

**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 resources restricted to the purchase of school buses and amounts required by statute to be set-aside by the School District for the creation of a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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. Bonds, 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 non-routine 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, budget stabilization, and school bus purchases.

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.

**N. Fund Designations**

Fund balance designations may be established to indicate tentative planned expenditures of financial resources. The designation reflects the School District's intentions and is subject to change. The designation is reported as part of unreserved fund balance. The designation is money set-aside for budget stabilization by the Board of Education which exceeds the statutory required amount.

**O. Contributed Capital**

Contributed capital represents resources from other funds, other governments and private sources provided to enterprise funds that are not subject to repayment. These assets are recorded at their fair market value on the date contributed. After fiscal year 2000, capital contributions from other governments and private sources are recorded as revenues and reported as retained earnings. Capital contributions from other funds are still reported as additions to contributed capital.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**P. 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.

**Q. Total Columns on General Purpose Financial Statements**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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. RESTATEMENT OF FUND BALANCE**

The Compensated Absences in the General Long-Term Obligations Account Group for June 30, 2001 was restated by \$26,450 from \$276,600 to \$303,050. This restatement was due to an understatement of the personal leave liability in the prior year. The overall effect of the restatement increased total liabilities in the General Long-Term Obligation Account Group for June 30, 2001 from \$549,071 to \$575,521.

**4. COMPLIANCE**

The Bond Retirement Debt Service fund had appropriations in excess of estimated resources and available balances of \$2,000 for the fiscal year ended June 30, 2002.

**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 and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) – Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the enterprise funds (GAAP basis).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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, Preschool, Drug Free School, and Goals 2000 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.
7. Proceeds from and principal payment on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
8. The school district repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$164,536	(\$4,335)	\$45,259	\$4,222,470	(\$5,378)
Revenue Accruals	(218,304)	(14,924)	(5,960)	(14,938)	0
Expenditure Accruals	(3,453)	6,857	0	249,560	1
Encumbrances	(50,655)	(4,200)	0	(436,747)	(100)
Reallocation of Debt	0	0	75,692	(75,692)	0
Bond Proceeds	0	0	4,420,000	(4,420,000)	0
Principle Payments	0	0	(4,567,600)	0	0
Interest	0	0	(170,429)	0	0
Operating Transfers for					
Debt Service	0	0	242,337	(242,337)	0
Operating Transfers	(17,015)	(2,985)	0	0	0
Advances	(26)	26	0	0	0
Budget Basis	<u>(\$124,917)</u>	<u>(\$19,561)</u>	<u>\$39,299</u>	<u>(\$717,684)</u>	<u>(\$5,477)</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**5. BUDGETARY BASIS OF ACCOUNTING (Continued)**

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

GAAP Basis	\$1,324
Revenue Accruals	(183)
Expenditure Accruals	11,228
Encumbrances	(17,216)
Depreciation	986
Federal and State Subsidies	(2,342)
Material and Supplies Inventory	(10)
Inventory Held for Resale	721
Budget Basis	<u><u>(\$5,492)</u></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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

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 eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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

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

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

At June 30, 2002, the School District had "cash and cash equivalents with fiscal agent" in the special revenue funds of \$434. 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 No. 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 \$1,283,115 and the bank balance was \$43,433. The entire bank balance was covered by federal depository insurance.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**6. DEPOSITS AND INVESTMENTS (Continued)**

**Investments:** The School District's investments are required to be categorized to give an indication of the level of risk assumed by the School District at fiscal 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.

	<u>Category 2</u>	<u>Unclassified</u>	<u>Carrying/ Fair Value</u>
Repurchase Agreement		\$18	\$18
Fifth Third U.S. Treasury	\$1,705		1,705
Federal Home Loan Bank Notes	1,051,045		1,053,915
Federal Farm Credit Bank Note	329,755		330,892
Federal Farm Credit Discount Note	245,765		247,175
Federal Home Loan Mortgage Corporate Discount	2,735,860		2,761,409
Federal National Mortgage Association	335,053		326,931
Totals	<u>\$4,699,183</u>	<u>\$18</u>	<u>\$4,722,045</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:

	<u>Cash and Cash Equivalents/ Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$6,005,594	
Cash Held with the Greene County Educational Service Center	(434)	
Investments:		
Repurchase Agreement	(18)	\$18
U.S. Treasury Note	(1,705)	1,705
Federal Home Loan Bank Note	(1,053,915)	1,053,915
Federal Farm Credit Bank Note	(330,892)	330,892
Federal Farm Credit Discount Note	(247,175)	247,175
Federal Home Loan Mortgage Corporation Discount	(2,761,409)	2,761,409
Federal National Mortgage Association	(326,931)	326,931
GASB Statement No. 3	<u>\$1,283,115</u>	<u>\$4,722,045</u>



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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**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 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

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. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

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

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 assessed values upon which fiscal year 2002 taxes were collected are:

	<b>2001 Second - Half Collections</b>		<b>2002 First- Half Collections</b>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$77,907,160	86.76%	\$78,875,710	88.52%
Public Utility	9,057,279	10.09%	2,007,790	2.25%
Tangible Personal Property	2,828,450	3.15%	8,220,830	9.23%
Total Assessed Value	<u>\$89,792,889</u>	<u>100.00%</u>	<u>\$89,104,330</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$78.35		 \$73.05	

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**7. PROPERTY TAXES (Continued)**

The decrease in the tax rate per \$1,000 of assessed valuation was due to the School District passing an income tax rather than renewing a former property tax levy.

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, 2002, are available to finance fiscal year 2002 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, 2002 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, 2002, \$262,965 was available as an advance to the general fund, \$26,866 was available to the debt service fund, and \$10,565 was available to the permanent improvement capital projects fund.

**8. INCOME TAX**

The School District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of \$188,827 were credited to the General Fund during fiscal year 2002.

**9. RECEIVABLES**

Receivables at June 30, 2002, consisted of property taxes, income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, interest, and interfund. All receivables are considered collectible in full.

Fund Type/Fund	Amounts
General Fund	\$5,152
<u>Special Revenue:</u>	
Eisenhower	26
Title VI-B	1,440
Chapter I	1,101
Total Special Revenue	2,567
<u>Enterprise:</u>	
Food Service	2,341
Total Intergovernmental Receivable	\$10,060

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**10. FIXED ASSETS**

A summary of the enterprise fund's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$107,711
Less Accumulated Depreciation	<u>(103,170)</u>
Net Fixed Assets	<u><u>\$4,541</u></u>

A summary of the changes in general fixed assets during fiscal year 2002 follows:

<u>Asset Category</u>	<u>6/30/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/2002</u>
Land and Improvements	\$5,783,207	\$15,801	\$0	\$5,799,008
Buildings and Improvements	3,563,151	1,987	22,576	3,542,562
Furniture, Fixtures and Equipment	1,452,577	110,337	238,518	1,324,396
Vehicles	328,583	16,246	0	344,829
Totals	<u><u>\$11,127,518</u></u>	<u><u>\$144,371</u></u>	<u><u>\$261,094</u></u>	<u><u>\$11,010,795</u></u>

**11. RISK MANAGEMENT**

**A. Property and Liability**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, 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 \$14,803,82 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 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

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

**C. Medical Benefits**

For fiscal year 2002, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 20). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the Educational Service Center by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

**12. 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, 300 East Broad Street, Columbus, Ohio 43215-3746.

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 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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 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, 2002, 2001, and 2000 were \$42,602, \$35,925 and \$29,636 respectively; 50.83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2001 and 2000. \$20,948 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

**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, 2002, 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. 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, 2002, 2001, and 2000 were \$268,552, \$156,720, and \$163,206, respectively; 83.00 percent was contributed for year 2002, and 100 percent for fiscal years 2001 and 2000. \$45,646 represents the unpaid contribution for fiscal year 2002 and is recorded as a liability within the respective funds.

**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, 2002, two 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.

**13. 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, 2002, 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 \$127,209 for fiscal year 2002.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

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, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$73,035.

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, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**14. OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible 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 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. Teachers 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**14. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Insurance Benefits**

The School District provides life insurance, dental insurance and prescription drug to its employees through Coresource. Medical and surgical benefits for most employees are provided through Anthem Blue Cross and Blue Shield through the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (Note 20).

**15. CAPITAL LEASES - LESSEE DISCLOSURE**

In prior years, the School District had entered into capitalized leases for copiers and telephone equipment. During 2002, the School District renegotiated the copier lease in order to get new copiers which resulted in an increase of the School District's total lease liability by \$10,963. 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 \$121,755. 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 2002 totaled \$29,991 in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

Fiscal Year Ending June 30,	GLTOAG
2003	\$29,199
2004	19,720
2005	16,560
2006	16,560
2007	11,040
Total	93,079
Less: Amount Representing Interest	(14,304)
Present Value of Net Minimum Lease Payments	\$78,775

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**16. SHORT-TERM OBLIGATIONS**

A summary of the short-term note transactions for the fiscal year ended June 30, 2002, follows:

<u>Fund Type/Issue</u>	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 6/30/2002</u>
Capital Project Funds:					
Tax Anticipation Notes	3.99%	\$202,800		\$67,600	\$135,200
Bond Anticipation Notes	4.81%	4,500,000		4,500,000	
<b>Total</b>		<b>\$4,702,800</b>		<b>\$4,567,600</b>	<b>\$135,200</b>

The School District issued \$270,000 in tax anticipation notes on February 1, 2000 for the purpose of permanent improvements. The notes will be paid from the Permanent Improvement Capital Projects Fund.

In fiscal year 2001, the School District issued a 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 note was paid off in June 2002 with the proceeds from the permanent improvement bonds.

Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 2002, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$67,600	\$5,394	\$72,994
2004	67,600	2,697	70,297
<b>Total</b>	<b>\$135,200</b>	<b>\$8,091</b>	<b>\$143,291</b>

**17. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Outstanding 6/30/2001</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/2002</u>
Permanent Improvement Bonds				
2002 variable rate		\$4,420,000		\$4,420,000
Energy Conservation Loan				
1994 5.84%	142,000		35,500	106,500
Capital Leases	89,738	19,028	29,991	78,775
Intergovernmental Payable	40,733	42,209	40,733	42,209
Compensated Absences	303,050	28,063		331,113
<b>Total General Long-Term Obligations</b>	<b>\$575,521</b>	<b>\$4,509,300</b>	<b>\$106,224</b>	<b>\$4,978,597</b>



**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
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(Continued)**

**17. LONG-TERM OBLIGATIONS**

**A. Permanent Improvement Bonds**

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

**B. 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. The intergovernmental payable and compensated absences will be paid from the funds 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 \$12,795,339, the energy conservation debt margin was \$908,439 and the unvoted debt margin was \$89,104 at June 30, 2002.

Principal and interest requirements to retire the permanent improvement bonds and energy conservation loan outstanding at June 30, 2002, are as follows:

<b>Permanent Improvement Bonds</b>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$65,000	\$77,741	\$142,741
2004	95,000	185,505	280,505
2005	100,000	183,605	283,605
2006	105,000	181,505	286,505
2007	125,000	178,827	303,827
2008 - 2012	720,000	829,655	1,549,655
2013 - 2017	600,000	968,290	1,568,290
2018 - 2022	1,020,000	546,973	1,566,973
2023 - 2027	1,290,000	274,515	1,564,515
2028	300,000	15,000	315,000
	<u>\$4,420,000</u>	<u>\$3,441,616</u>	<u>\$7,861,616</u>

<b>Energy Conservation Loan</b>			
<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$35,500	\$6,220	\$41,720
2004	35,500	4,146	39,646
2005	35,500	2,073	37,573
	<u>\$106,500</u>	<u>\$12,439</u>	<u>\$118,939</u>

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**18. 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, 2002.

	<b>Food Service</b>	<b>School Employability Lab</b>	<b>Total</b>
Operating Revenues	\$84,500		\$84,500
Depreciation Expense	986		986
Operating Loss	(23,533)		(23,533)
Donated Commodities	7,086		7,086
Federal and State Subsidies	17,436		17,436
Net Income	1,324		1,324
Net Working Capital	24,596	296	24,892
Total Assets	41,788	296	42,084
Total Equity	29,137	296	29,433
Encumbrances at June 30, 2002	(17,216)		(17,216)

**19. JOINTLY GOVERNED ORGANIZATIONS**

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The School District paid MVECA \$10,393 for services provided during the year. Financial information can be obtained from Gary Bosserman, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**19. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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 2002, the Yellow Springs Exempted Village School District paid \$1,134 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, 1831 Harshman Road, Dayton, Ohio 45424.

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

The Board of Trustees is comprised of twenty-one representatives of SOITA member schools or institutions. Nineteen representatives are elected from within the counties by the qualified members within the counties, i.e., Auglaize, Butler, Champaign, Clark, Clinton, Darke, Fayette, Greene, Hamilton, Logan, Mercer, Miami, Montgomery, Preble, Shelby, and Warren. Montgomery, Greene and Butler Counties elect two representatives per area. All others elect one representative per area. One at-large non-public representative is elected by the non-public school SOITA members from within the State assigned SOITA service area. One at-large higher education representative is elected by higher education SOITA members from within the State assigned SOITA service area.

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2002, the Yellow Springs Exempted Village School District paid \$255 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. 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.

**20. INSURANCE PURCHASING POOLS**

**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 an eleven member Executive Committee consisting of the Chairperson, the Vice-Chairperson, a representative from the Montgomery County Educational Service Center and eight other members elected by majority vote of all member school districts. The Chief Administrator of the GRP serves as the coordinator of the program. Each year, the participating School Districts pay an enrollment to the GRP to cover the costs of administering the program.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**20. INSURANCE PURCHASING POOLS (Continued)**

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

**21. 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.

For fiscal year ended June 30, 2002, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of monies refunded from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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.

	<b>Instructional Materials</b>	<b>Capital Acquisition</b>	<b>Budget Stabilization</b>
Set-aside Reserve Balance as of June 30, 2001	(\$105,523)	(\$93,913)	\$19,479
Current Year Set-aside Requirement	79,657	79,657	0
Current Year Offsets	0	(121,505)	0
Qualifying Disbursements	(154,997)	(70,489)	0
<b>Totals</b>	<b>(\$180,863)</b>	<b>(\$206,250)</b>	<b>\$19,479</b>
Set-aside Balances Carried Forward to Future			
Fiscal Years	(\$180,863)	(\$206,250)	\$19,479
Set-aside Reserve Balances as of June 30, 2002	\$0	\$0	\$19,479

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside. The negative amount can be carried forward and reduce the set-aside required 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, 2002  
(Continued)**

**22. INTERFUND ACTIVITY**

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	<b>Interfund Receivable</b>	<b>Interfund Payable</b>
General Fund	\$26	
Special Revenue Funds:		
Title I		26
Total	\$26	\$26

**23. SIGNIFICANT CONTRACTUAL COMMITMENTS**

As of June 30, 2002, the School District had contractual purchase commitments as follows:

<b>Company</b>	<b>Amount Remaining on Contract</b>
Mulhall Becker	\$2,631,750
Reddy Electric	459,078
Superior Mechanical Services	292,550
Donnell Incorporated	321,000
Total	\$3,704,378

**24. STATE SCHOOL FUNDING DECISION**

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

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

**25. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

**B. Litigation**

The School District is not party to any legal proceedings at this time.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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, Greene County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 20, 2002. 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 an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2002.

**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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 2002.

Yellow Springs Exempted Village School District  
Greene County  
Independent Accountants' Report 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

**Jim Petro**  
Auditor of State

December 20, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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Columbus, Ohio 43216-1140  
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800-282-0370  
Facsimile 614-466-4490

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 4, 2003**