



**Auditor of State
Betty Montgomery**

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

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report	1
Combined Balance Sheet – All Fund Types and Account Groups – as of June 30, 2003	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund - For the Fiscal Year Ended June 30, 2003	6
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, 2003	7
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Enterprise Funds - For the Fiscal Year Ended June 30, 2003.....	10
Combined Statement of Cash Flows – All Enterprise Funds For the Fiscal Year Ended June 30, 2003	11
Notes to the General Purpose Financial Statements.....	13
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	39

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Yellow Springs Exempted Village School District
Greene County
201 South Walnut Street
Yellow Springs, OH 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, 2003, 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, 2003, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2003, 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

December 30, 2003

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

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$1,674,234	\$116,253	\$124,268	\$1,250,299
Cash and Cash Equivalents With Fiscal Agents		6,918		
Receivables:				
Taxes	2,168,023	989,251	254,693	58,532
Accounts	57,178			
Intergovernmental				
Accrued Interest	2,044			
Income Tax	820,703			
Materials and Supplies Inventory				
Prepaid Items	3,762			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	19,479			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	<u>\$4,745,423</u>	<u>\$1,112,422</u>	<u>\$378,961</u>	<u>\$1,308,831</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	8,037	3,234		3,653
Contracts Payable				145,584
Accrued Wages and Benefits	476,237	918		
Compensated Absences Payable	9,144			
Retainage Payable				158,003
Intergovernmental Payable	92,637	2,122		
Deferred Revenue	2,032,894	919,659	236,451	51,381
Due to Students				
Notes Payable				67,600
Capital Leases Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>2,618,949</u>	<u>925,933</u>	<u>236,451</u>	<u>426,221</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	37,191	30,877		50,171
Reserved for Property Taxes	135,129	69,592	18,242	7,151
Reserved for Budget Stabilization	19,479			
Unreserved:				
Undesignated	1,934,675	86,020	124,268	825,288
Total Fund Equity and Other Credits	<u>2,126,474</u>	<u>186,489</u>	<u>142,510</u>	<u>882,610</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,745,423</u>	<u>\$1,112,422</u>	<u>\$378,961</u>	<u>\$1,308,831</u>

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

Proprietary Fund Types	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$15,094	\$24,256			\$3,204,404 6,918
				3,470,499
				57,178
2,492				2,492
				2,044
				820,703
1,493				1,493
				3,762
				19,479
107,096 (103,464)		\$10,824,109		10,931,205 (103,464)
			\$142,510	142,510
			4,956,315	4,956,315
<u>22,711</u>	<u>24,256</u>	<u>10,824,109</u>	<u>5,098,825</u>	<u>23,515,538</u>
				14,924
				145,584
				477,155
			309,663	318,807
				158,003
			51,743	146,502
				3,240,385
	23,501			23,501
			201,462	269,062
			180,957	180,957
			4,355,000	4,355,000
	<u>23,501</u>		<u>5,098,825</u>	<u>9,329,880</u>
		10,824,109		10,824,109
7,337				7,337
15,374				15,374
				118,239
				230,114
				19,479
	755			2,971,006
<u>22,711</u>	<u>755</u>	<u>10,824,109</u>		<u>14,185,658</u>
<u>\$22,711</u>	<u>\$24,256</u>	<u>\$10,824,109</u>	<u>\$5,098,825</u>	<u>\$23,515,538</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, 2003**

	Governmental Fund Types		Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Intergovernmental	\$1,419,007	\$195,635	\$30,604	\$21,315		\$1,666,561
Interest	23,365		518	61,688		85,571
Tuition and Fees	439,400					439,400
Rent	300	50				350
Extracurricular Activities		75,126			\$272	75,398
Gifts and Donations		21,596			1,245	22,841
Income Tax	1,363,459					1,363,459
Property & Other Local Taxes	3,049,568	69,592	257,967	116,316		3,493,443
Miscellaneous	59,734					59,734
Total Revenues	6,354,833	361,999	289,089	199,319	1,517	7,206,757
Expenditures:						
Instruction:						
Regular	2,649,011	82,682		45,618		2,777,311
Special	386,708	22,424				409,132
Other	270,133					270,133
Support services:						
Pupils	116,853	50,358				167,211
Instructional Staff	374,315	31,946				406,261
Board of Education	32,526					32,526
Administration	639,913	18,272				658,185
Fiscal	248,302		4,548	2,082		254,932
Operation and Maintenance of Plant	450,822	745				451,567
Pupil Transportation	228,464			6,889		235,353
Central	70	13,283				13,353
Non-Instructional Services	4,735					4,735
Extracurricular activities	117,440	85,803			1,591	204,834
Capital Outlay	145,053			3,272,340		3,417,393
Debt Service						
Debt Service - Principal	144,779		4,485,000			4,629,779
Debt Service - Interest	13,666		305,915			319,581
Total Expenditures	5,822,790	305,513	4,795,463	3,326,929	1,591	14,252,286
Excess of Revenues Over (Under) Expenditures	532,043	56,486	(4,506,374)	(3,127,610)	(74)	(7,045,529)
Other Financing Sources and Uses						
Operating Transfers In		15,894	5,394			21,288
Proceeds from Sale of Long-Term Notes			4,422,741			4,422,741
Proceeds from Sale of Fixed Assets	300,000					300,000
Inception of Capital Lease	144,000					144,000
Other Financing Sources	16,521	9,400				25,921
Operating Transfers Out	(15,894)			(5,394)		(21,288)
Total Other Financing Sources (Uses)	444,627	25,294	4,428,135	(5,394)		4,892,662
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	976,670	81,780	(78,239)	(3,133,004)	(74)	(2,152,867)
Fund Balance at Beginning of Year	1,149,804	104,709	220,749	4,015,614	829	5,491,705
Fund Balance at End of Year	\$2,126,474	\$186,489	\$142,510	\$882,610	\$755	\$3,338,838

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

**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, 2003**

	Governmental Fund Types			Special Revenue		
	General		Variance: Favorable (Unfavorable)	Special Revenue		Variance: Favorable (Unfavorable)
	Revised Budget	Actual		Revised Budget	Actual	
Revenues:						
Intergovernmental	\$1,452,171	\$1,424,544	(\$27,627)	\$225,403	\$208,494	(\$16,909)
Interest	57,337	54,856	(2,481)			
Tuition and Fees	450,578	439,551	(11,027)	108		(108)
Rent	250	500	250	400	50	(350)
Extracurricular Activities				85,182	75,126	(10,056)
Gifts and Donations				13,842	21,596	7,754
Income Tax	838,726	703,002	(135,724)			
Property & Other Local Taxes	3,240,011	3,177,404	(62,607)			
Miscellaneous	6,007	11,623	5,616			
Total Revenues	6,045,080	5,811,480	(233,600)	324,935	305,266	(19,669)
Expenditures:						
Current:						
Instruction:						
Regular	2,811,433	2,649,367	162,066	105,818	82,574	23,244
Special	394,384	377,342	17,042	45,358	45,369	(11)
Other	359,562	279,744	79,818			
Support services:						
Pupils	125,822	115,994	9,828	69,104	50,832	18,272
Instructional Staff	404,303	377,466	26,837	43,770	33,519	10,251
Board of Education	37,594	34,443	3,151			
Administration	691,672	664,200	27,472		18,272	(18,272)
Fiscal	274,370	263,903	10,467			
Operation and Maintenance of Plant	506,477	467,117	39,360	1,743	745	998
Pupil Transportation	252,510	238,265	14,245			
Central	8,329	7,539	790	32,466	32,466	
Non-Instructional Services	6,153	5,885	268			
Extracurricular activities	144,973	115,465	29,508	121,680	95,233	26,447
Capital Outlay	8,315	5,885	2,430			
Debt Service						
Debt Service - Principal	125,724	120,961	4,763			
Debt Service - Interest	8,611	8,285	326			
Total Expenditures	6,160,232	5,731,861	428,371	419,939	359,010	60,929
Excess of Revenues Over (Under) Expenditures	(115,152)	79,619	194,771	(95,004)	(53,744)	41,260
Other Financing Sources and Uses						
Operating Transfers In				15,894	15,894	
Proceeds From Sale of Fixed Assets	300,000	300,000				
Proceeds From Sale of Long-Term Notes						
Refund of Prior Year Expenditures	15,562	15,682	120			
Advances In	26	26				
Advances Out	(10,106)		10,106	(26)	(26)	
Other Financing Sources				6,900	9,400	2,500
Operating Transfers Out	(15,894)	(15,894)				
Total Other Financing Sources (Uses)	289,588	299,814	10,226	22,768	25,268	2,500
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	174,436	379,433	204,997	(72,236)	(28,476)	43,760
Fund Balances at Beginning of Year	1,223,167	1,223,167		106,418	106,418	
Prior Year Encumbrances Appropriated	50,495	50,495		4,200	4,200	
Fund Balance at end of Year	\$1,448,098	\$1,653,095	\$204,997	\$38,382	\$82,142	\$43,760

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

**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, 2003
(Continued)**

	Governmental Fund Types					
	Debt Service			Capital Projects		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Intergovernmental	\$30,400	\$30,604	\$204	\$19,803	\$21,315	\$1,512
Interest		518	518	70,000	84,532	14,532
Tuition and Fees						
Rent						
Extracurricular Activities						
Gifts and Donations						
Income Tax						
Property & Other Local Taxes	267,000	266,591	(409)	114,623	119,730	5,107
Miscellaneous						
Total Revenues	297,400	297,713	313	204,426	225,577	21,151
Expenditures:						
Current:						
Instruction:						
Regular				51,144	50,809	335
Special						
Support services:						
Pupils						
Instructional Staff						
Board of Education						
Administration						
Fiscal	7,000	4,548	2,452	2,890	2,082	808
Operation and Maintenance of Plant						
Pupil Transportation				9,106	9,106	
Central						
Non-Instructional Services						
Extracurricular activities						
Capital Outlay				3,896,546	3,239,871	656,675
Debt Service						
Debt Service - Principal	4,552,600	4,552,600				
Debt Service - Interest	306,888	305,915	973			
Total Expenditures	4,866,488	4,863,063	3,425	3,959,686	3,301,868	657,818
Excess of Revenues Over (Under) Expenditures	(4,569,088)	(4,565,350)	3,738	(3,755,260)	(3,076,291)	678,969
Other Financing Sources and Uses						
Operating Transfers In	73,000	72,994	(6)			
Proceeds From Sale of Fixed Assets						
Proceeds From Sale of Long-Term Notes	4,420,000	4,422,741	2,741			
Refund of Prior Year Expenditures						
Advances In						
Advances Out						
Other Financing Sources						
Operating Transfers Out				(73,000)	(72,994)	6
Total Other Financing Sources (Uses)	4,493,000	4,495,735	2,735	(73,000)	(72,994)	6
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(76,088)	(69,615)	6,473	(3,828,260)	(3,149,285)	678,975
Fund Balances at Beginning of Year	193,883	193,883		3,886,169	3,886,169	
Prior Year Encumbrances Appropriated				436,747	436,747	
Fund Balance at end of Year	\$117,795	\$124,268	\$6,473	\$494,656	\$1,173,631	\$678,975

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

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$1,727,777	\$1,684,957	(\$42,820)
			127,337	139,906	12,569
			450,686	439,551	(11,135)
			650	550	(100)
\$500	\$272	(\$228)	85,682	75,398	(10,284)
500	1,245	745	14,342	22,841	8,499
			838,726	703,002	(135,724)
			3,621,634	3,563,725	(57,909)
			6,007	11,623	5,616
1,000	1,517	517	6,872,841	6,641,553	(231,288)
			2,968,395	2,782,750	185,645
			439,742	422,711	17,031
			359,562	279,744	79,818
			194,926	166,826	28,100
			448,073	410,985	37,088
			37,594	34,443	3,151
			691,672	682,472	9,200
			284,260	270,533	13,727
			508,220	467,862	40,358
			261,616	247,371	14,245
			40,795	40,005	790
			6,153	5,885	268
2,000	1,591	409	268,653	212,289	56,364
			3,904,861	3,245,756	659,105
			4,678,324	4,673,561	4,763
			315,499	314,200	1,299
2,000	1,591	409	15,408,345	14,257,393	1,150,952
(1,000)	(74)	926	(8,535,504)	(7,615,840)	919,664
			88,894	88,888	(6)
			300,000	300,000	
			4,420,000	4,422,741	2,741
			15,562	15,682	120
			26	26	
			(10,132)	(26)	10,106
			6,900	9,400	2,500
			(88,894)	(88,888)	6
			4,732,356	4,747,823	15,467
(1,000)	(74)	926	(3,803,148)	(2,868,017)	935,131
729	729		5,410,366	5,410,366	
100	100		491,542	491,542	
(\$171)	\$755	\$926	\$2,098,760	\$3,033,891	\$935,131

**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, 2003**

	Enterprise
Operating Revenues:	
Sales	\$78,465
Total Operating Revenues	78,465
Operating Expenses	
Purchased Services	101,403
Materials and Supplies	7,913
Depreciation	909
Total Operating Expenses	110,225
Operating Income (Loss)	(31,760)
Non-Operating Revenues and Expenses	
Federal Donated Commodities	7,366
Interest	141
Federal and State Subsidies	17,531
Total Non-Operating Revenues and Expenses	25,038
Net Income (Loss)	(6,722)
Retained Earnings at Beginning of Year	22,096
Retained Earnings at End of Year	15,374
Contributed Capital at Beginning of Year	7,337
Contributed Capital at End of Year	7,337
Total Fund Equity at End of Year	\$22,711

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

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

**COMBINED STATEMENT OF CASH FLOWS
ALL ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash Received from Sales	\$78,465
Cash Payments to Suppliers for Goods and Service	(652)
Cash Payments for Contract Services	(113,650)
Net Cash Provided (Used) by Operating Activities	(35,837)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	17,380
Net Cash Provided (Used) by Noncapital Financing Activities	17,380
Cash Flows from Investing Activities:	
Interest Received	141
Net Cash Provided (Used) by Investing Activities	141
Net Increase (Decrease) in Cash and Cash Equivalents	(18,316)
Cash and Cash Equivalents at Beginning of Year	33,410
Cash and Cash Equivalents at End of Year	\$15,094
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	(\$31,760)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:	
Depreciation	909
Donated Commodities Used During the Year	7,366
(Increase) Decrease in Assets:	
Material and Supplies Inventory	299
Increase (Decrease) in Liabilities:	
Accounts Payable	(12,651)
Total Adjustments	(4,077)
Net Cash Provided (Used) by Operating Activities	(\$35,837)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

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 five jointly governed organizations and two insurance purchasing pools. These organizations are the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Council, the Southwestern Ohio Instructional Technology Association, the Greene County Career Center, the Miami Valley Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan and Southwestern Ohio Educational Purchasing Council Medical Benefits Plan, respectively. These organizations are presented in Notes 17 and 18 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, 2003
(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, 2003
(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, 2003
(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 5). 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, 2003, but which were levied to finance fiscal year 2004 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, 2003
(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 and Drug Free School 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. The General Fund is budgeted at the fund, function level. Any budgetary modifications at these levels 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. 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 or fund/function for the General Fund must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts 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, and Drug Free School Special Revenue Funds and the agency fund.

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2003, investments were limited to a money market mutual fund and a repurchase agreement. 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 2003 amounted to \$23,365, which includes \$17,524 assigned from other School District funds

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

E. Inventory

Inventories of 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, 2003, 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 fifteen 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 19 for additional information regarding set-asides.

I. Interfund Assets/Liabilities

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

J. Compensated Absences

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

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

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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or 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, and budget stabilization.

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

N. 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, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Estimates

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

P. Total Columns on General Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "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. 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 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 are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Principal payments on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Advances are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis.)
6. The School District does not budget for the activities of the Eisenhower, Preschool, and Drug Free School 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).

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$379,433	(\$28,476)	(\$69,615)	(\$3,149,285)	(\$74)
Revenue Accruals	543,353	56,732	(8,624)	(26,258)	
Expenditure Accruals	(134,390)	19,387		(78,885)	
Other Sources/Uses	144,812	26		67,600	
Encumbrances	43,462	34,111		53,824	
GAAP Basis	<u>\$976,670</u>	<u>\$81,780</u>	<u>(\$78,239)</u>	<u>(\$3,133,004)</u>	<u>(\$74)</u>

4. 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 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:

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); 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, 2003, the School District had "cash and cash equivalents with fiscal agent" in the special revenue funds of \$6,918. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

Deposits: At year-end, the carrying amount of the School District's deposits was \$165,249 and the bank balance was \$207,384. Of the bank balance, \$115,278 was covered by Federal Depository Insurance and \$92,106 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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.

	Category 1	Category 2	Carrying/ Fair Value
Repurchase Agreement	\$202,201		\$202,201
Fifth Third U.S. Treasury		\$2,856,433	2,856,433
Totals	\$202,201	\$,2,856,433	\$3,058,634

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:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$3,230,801	
Cash Held with Green County Educational Service Center	(6,918)	
Investments:		
Repurchase Agreement	(202,201)	\$202,201
U.S. Treasury Note	(2,856,433)	2,856,433
GASB Statement No. 3	\$165,249	\$3,058,634

5. 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. PROPERTY TAXES (Continued)

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 2003 for real and public utility property taxes represents collections of calendar 2002 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2003 taxes.

2003 real property taxes are levied after April 1, 2003, on the assessed value as of January 1, 2003, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2003 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. 2003 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2003 and are collected in 2003 with real property taxes.

2003 tangible personal property taxes are levied after April 1, 2002, on the value as of December 31, 2001. Collections are made in 2003. 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 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other RE	\$78,875,710	89%	\$96,787,330	90%
Public Utility	2,007,790	2%	2,148,750	2%
Tangible Personal Property	8,220,830	9%	8,253,562	8%
Total Assessed Value	\$89,104,330	100.00%	\$107,189,642	100%
Tax rate per \$1,000 of assessed valuation	\$73.05		\$70.45	

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, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

5. PROPERTY TAXES (Continued)

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, 2003 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, 2003, \$135,129 was available as an advance to the general fund, \$69,592 was available to the special revenue fund, \$18,242 was available to the debt service fund, and \$7,151 was available to the permanent improvement capital projects fund.

6. 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, 2003, 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 \$1,363,459 were credited to the General Fund during fiscal year 2003.

7. RECEIVABLES

Receivables at June 30, 2003, 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.

<u>Fund Type/Fund</u>	<u>Amounts</u>
Enterprise: Food Service	<u>\$2,492</u>
Total Intergovernmental Receivable	<u>\$2,492</u>

8. FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$107,096
Less Accumulated Depreciation	<u>(103,464)</u>
Net Fixed Assets	<u><u>\$3,632</u></u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. FIXED ASSETS

A summary of the changes in general fixed assets during fiscal year 2003 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/03</u>
Land and Improvements	\$5,799,008	\$76,475	\$12,426	\$5,863,057
Buildings and Improvements	3,542,562	232,789	595,112	3,180,239
Furniture and Equipment	1,324,396	114,817	61,204	1,378,009
Vehicles	344,829	57,975		402,804
Totals	<u>\$11,010,795</u>	<u>\$482,056</u>	<u>\$668,742</u>	<u>\$10,824,109</u>

9. 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 2003, 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 \$14,803,820 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 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

9. RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2003, the School District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 18). 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.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002, and 2001 were \$69,264, \$42,602 and \$35,925 respectively; 49 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$35,415 representing the unpaid contribution for fiscal year 2003, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members, and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teacher Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$402,959, \$268,552 and \$156,720, respectively; 83 percent was contributed for year 2003, and 100 percent for fiscal years 2002 and 2001. \$68,505 represents the unpaid contribution for fiscal year 2003 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, 2003, 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.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

11. POST-EMPLOYMENT BENEFITS

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

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.011 billion on June 30, 2002.

For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000. There were 105,300 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. 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% of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2003, the allocation rate is 5.83%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2003, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, the Retirement System's net assets available for payment of health care benefits were \$335.2 million.

The number of participants currently receiving health care benefits is approximately 50,000.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

12. 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.

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 200 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 70 days. For teachers, sick leave may be accumulated up to a maximum of 300 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 resignation or retirement, teaching bargaining unit members receive \$100 and non-teaching bargaining unit members receive \$70 for each accumulated day of personal leave.

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 18).

13. 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 \$357,771. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$41,818 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, 2003.

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

13. CAPITAL LEASES - LESSEE DISCLOSURE (Continued)

<u>Year Ending June 30,</u>	<u>GLTOAG</u>
2004	\$38,906
2005	37,683
2006	37,117
2007	33,366
2008	21,250
2009	20,451
2010	20,642
Total Future Minimum Lease Payments	209,415
Less: Amount Representing Interest	(28,458)
Present Value of Future Minimum Lease Payments	<u>\$180,957</u>

14. SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the fiscal year ended June 30, 2003, follows:

	<u>Principal Outstanding 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding 06/30/03</u>
Capital Project Funds:				
Tax Anticipation Notes – 3.99%	\$135,200		\$67,600	\$67,600

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. Principal and interest requirements to retire tax anticipation notes outstanding at June 30, 2003, are as follows:

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$67,600	\$2,697	\$70,297
Total	<u>\$67,600</u>	<u>\$2,697</u>	<u>\$70,297</u>

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	<u>Outstanding 06/30/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 06/30/03</u>
Permanent Improvement Bonds				
2002 Variable Rate	\$4,420,000		\$65,000	\$4,355,000
School Improvement Note 2003 3.99%		\$4,420,000	\$4,420,000	
Energy Conservation Loan 1994 5.84 %	106,500		106,500	
Athletic Equipment Note 2003 3.25%		\$218,900	17,438	201,462
Capital Leases	78,775	144,000	41,818	180,957
Intergovernmental Payable	42,209	9,534		51,743
Compensated Absences	331,113		21,450	309,663
Total Long-Term Obligations	<u>\$4,978,597</u>	<u>\$4,792,434</u>	<u>\$4,672,206</u>	<u>\$5,098,825</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

15. LONG-TERM OBLIGATIONS (Continued)

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 was paid in full on August 8, 2002, from the proceeds from the sale of the Morgan building.

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 voted legal debt margin was \$5,292,642 with an unvoted debt margin of \$107,190 at June 30, 2003.

Principal and interest requirements to retire the permanent improvement bonds outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2004	\$95,000	\$184,555	\$279,555
2005	100,000	182,555	282,555
2006	105,000	180,166	285,166
2007	125,000	177,046	302,046
2008	130,000	173,234	303,234
2009-2013	755,000	789,589	1,544,589
2014-2018	620,000	934,501	1,554,501
2019-2023	1,070,000	473,101	1,543,101
2014-2028	1,355,000	176,375	1,531,375
Total	<u>\$4,355,000</u>	<u>\$3,271,122</u>	<u>\$7,626,122</u>

C. Athletic Equipment

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

Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$71,186	\$5,493	\$76,679
2005	73,536	3,145	76,681
2006	56,740	771	57,511
Total	<u>\$201,462</u>	<u>\$9,409</u>	<u>\$210,871</u>

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

16. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and school employability lab. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>School Employability Lab</u>	<u>Total</u>
Operating Revenues	\$78,465		\$78,465
Depreciation Expense	909		909
Operating (Loss)	(31,760)		(31,760)
Donated Commodities	7,366		7,366
Federal and State Subsidies	17,531		17,531
Interest	141		141
Net Income (Loss)	(6,722)		(6,722)
Net Working Capital	18,783	\$296	19,079
Total Assets	22,415	296	22,711
Total Liabilities			
Total Equity	22,415	296	22,711

17. JOINTLY GOVERNED ORGANIZATIONS

A. 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 \$12,549 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.

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

17. 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 2003, the Yellow Springs Exempted Village School District paid \$5,419 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.

C. Southwestern Ohio Instructional Technology Association (SOITA)

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the general fund. During fiscal year 2003, the Yellow Springs Exempted Village School District paid \$3,088 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.

D. Greene County Career Center

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

E. Miami Valley Special Education Regional Resource Center

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

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

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

18. INSURANCE PURCHASING POOLS

A. 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.

B. 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.

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. For fiscal year ended June 30, 2003, 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.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2002	(\$180,863)	(\$206,250)	\$19,479
Current Year set-aside Requirement	86,652	86,652	
Current Year Offsets		(132,296)	
Qualifying Disbursements	(90,403)	(73,002)	
Total	<u>(\$184,614)</u>	<u>(\$324,896)</u>	<u>\$19,479</u>
Set-aside Balances Carried Forward to Future Fiscal Years	<u>(\$184,614)</u>	<u>(\$324,896)</u>	<u>\$19,479</u>
Set-aside Reserve Balances as of June 30, 2003			<u>\$19,479</u>

The School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the textbooks and the capital acquisition set-aside. The negative amounts 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, 2003
(Continued)**

20. SIGNIFICANT CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had contractual purchase commitments as follows:

<u>Company</u>	<u>Amount Remaining</u>
Muhall Becker Construction, Inc.	\$431,874
Superior Mechanical Services	48,854
Donnell, Inc.	44,540
Reddy Electric Company	66,277
Total	<u>\$591,545</u>

21. 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.

22. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

B. Litigation

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



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, 2003 and have issued our report thereon dated December 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 30, 2003.

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 30, 2003.

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

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

Betty Montgomery
Auditor of State

December 30, 2003



**Auditor of State
Betty Montgomery**

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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
APRIL 13, 2004**