

**Yellow Springs Exempted Village School District
Greene County, Ohio**

Basic Financial Statements

June 30, 2008 and 2007

(with Independent Auditors' Report)



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Yellow Springs Exempted Village School District, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2006 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 17, 2009

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yellow Springs Exempted Village School District (the District) as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Yellow Springs Exempted Village School District as of June 30, 2008 and 2007, and the respective changes in financial position, and the respective budgetary comparison for the General and Emergency Levy Funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
December 31, 2008

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited**

The discussion and analysis of the financial performance of Yellow Springs Exempted Village School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

In total, net assets decreased \$197,038.

General revenues accounted for \$6,778,164, or 84 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$1,314,709 or 16 percent of total revenues of \$8,092,873.

The District's major funds included the General Fund and the Emergency Levy Fund. The General Fund had \$6,060,267 in revenues and \$6,200,360 in expenditures and other financing uses. The General Fund balance decreased \$140,093 from the prior fiscal year.

The Emergency Levy Fund had \$1,093,556 in revenues and \$1,058,830 in expenditures. The Emergency Levy Fund balance increased \$34,726 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

**Table 1
Net Assets
Governmental Activities**

| | 2007 | 2006 |
|---|--------------------|--------------------|
| <u>Assets:</u> | | |
| Current and Other Assets | \$7,916,687 | \$8,585,951 |
| Capital Assets, Net | 5,949,571 | 6,152,481 |
| Total Assets | <u>13,866,258</u> | <u>14,738,432</u> |
| <u>Liabilities:</u> | | |
| Current and Other Liabilities | 4,257,553 | 4,730,760 |
| Long-Term Liabilities | 4,234,047 | 4,435,976 |
| Total Liabilities | <u>8,491,600</u> | <u>9,166,736</u> |
| <u>Net Assets:</u> | | |
| Invested in Capital Assets, Net of Related Debt | 1,961,571 | 2,009,490 |
| Restricted | 424,214 | 445,305 |
| Unrestricted | 2,988,873 | 3,116,901 |
| Total | <u>\$5,374,658</u> | <u>\$5,571,696</u> |

The decrease in net assets from 2006 to 2007 was insignificant.

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

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

| | 2007 | 2006 |
|--|------------------|------------------|
| <u>Revenues:</u> | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$806,596 | \$688,855 |
| Operating Grants, Contributions and Interest | 508,113 | 388,358 |
| Total Program Revenues | <u>1,314,709</u> | <u>1,077,213</u> |
| General Revenues: | | |
| Property Taxes | 3,579,520 | 3,412,767 |
| Income Taxes | 1,307,090 | 1,151,719 |
| Grants and Entitlements | 1,584,944 | 1,564,835 |
| Interest | 199,157 | 168,940 |
| Gifts and Donations | 21,356 | 31,286 |
| Miscellaneous | 86,097 | 26,032 |
| Total General Revenues | <u>6,778,164</u> | <u>6,355,579</u> |
| Total Revenues | <u>8,092,873</u> | <u>7,432,792</u> |

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

| | | |
|------------------------------------|--------------------|--------------------|
| <u>Expenses:</u> | | |
| Instruction | 4,331,685 | 4,092,542 |
| Support Services: | | |
| Pupils | 645,649 | 436,206 |
| Instructional Staff | 443,837 | 500,596 |
| Board of Education | 36,024 | 33,018 |
| Administration | 820,505 | 786,851 |
| Fiscal | 352,898 | 306,297 |
| Operation and Maintenance of Plant | 738,381 | 683,768 |
| Pupil Transportation | 248,918 | 241,125 |
| Central | 31,424 | 18,689 |
| Non-Instructional | 169,989 | 115,891 |
| Extracurricular Activities | 288,491 | 288,154 |
| Interest and Fiscal Charges | 182,110 | 187,540 |
| Total Expenses | <u>8,289,911</u> | <u>7,690,677</u> |
| Decrease in Net Assets | <u>(\$197,038)</u> | <u>(\$257,885)</u> |

In fiscal year 2007 expenses increased by 8 percent while revenues increased 9 percent.

Governmental Activities

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

**Table 3
Governmental Activities**

| | <u>Total Cost</u> | <u>Net Cost of</u> | <u>Total Cost</u> | <u>Net Cost of</u> |
|------------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | <u>of Services</u> | <u>Services</u> | <u>of Services</u> | <u>Services</u> |
| | <u>2007</u> | <u>2007</u> | <u>2006</u> | <u>2006</u> |
| Instruction | \$4,331,685 | \$3,289,858 | \$4,092,542 | \$3,243,889 |
| Support Services: | | | | |
| Pupils | 645,649 | 645,649 | 436,206 | 436,206 |
| Instructional Staff | 443,837 | 436,903 | 500,596 | 492,843 |
| Board of Education | 36,024 | 36,024 | 33,018 | 33,018 |
| Administration | 820,505 | 820,505 | 786,851 | 786,851 |
| Fiscal | 352,898 | 352,898 | 306,297 | 306,297 |
| Operation and Maintenance of Plant | 738,381 | 738,381 | 683,768 | 683,768 |
| Pupil Transportation | 248,918 | 219,033 | 241,125 | 241,125 |
| Central | 31,424 | 20,424 | 18,689 | 7,689 |
| Non-Instructional | 169,989 | 34,172 | 115,891 | 9,581 |
| Extracurricular Activities | 288,491 | 199,245 | 288,154 | 184,657 |
| Interest and Fiscal Charges | 182,110 | 182,110 | 187,540 | 187,540 |
| Total Expenses | <u><u>\$8,289,911</u></u> | <u><u>\$6,975,202</u></u> | <u><u>\$7,690,677</u></u> | <u><u>\$6,613,464</u></u> |

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. The instruction activities are supported through charges for services and operating grants. For all governmental activities, support from general revenues is 84 percent. The remaining 16 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Emergency Levy Fund. Total governmental funds had revenues and other sources of \$8,192,110 and expenditures and other uses of \$8,335,930. The net negative change of \$143,820 in fund balance for the year indicates that the District had some difficulty in meeting current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General Fund budget as needed.

Final expenditures and other uses were budgeted at \$6,323,121 while actual expenditures and other uses were \$6,225,066. The \$98,055 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2007
Unaudited
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had \$5,949,571 invested in capital assets (net of accumulated depreciation) for governmental activities. This is a decrease of \$202,910 from the prior year, mainly attributable to depreciation expense during the fiscal year, as well as deletions recorded.

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

Debt

At June 30, 2007, the District had \$3,930,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-year period, with final maturity on December 1, 2027. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2007, the District's overall legal debt margin was \$6,554,360, with an un-voted debt margin of \$116,493.

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

Current Issues

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

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

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

Contacting the District's Financial Management

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

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

**Statement of Net Assets
June 30, 2007**

| | | Governmental Activities |
|---|----|------------------------------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ | 3,564,213 |
| Cash and Cash Equivalents with Fiscal Agents | | 470 |
| Materials and Supplies Inventory | | 1,192 |
| Accrued Interest Receivable | | 4,061 |
| Accounts Receivable | | 11,271 |
| Intergovernmental Receivable | | 15,366 |
| Prepaid Items | | 4,766 |
| Taxes Receivable | | 3,611,571 |
| Income Taxes Receivable | | 703,777 |
| Capital Assets: | | |
| Non-Depreciable Capital Assets | | 1,263,258 |
| Depreciable Capital Assets, net | | 4,686,313 |
| Total Assets | | <u>13,866,258</u> |
| LIABILITIES: | | |
| Accounts Payable | | 3,367 |
| Accrued Wages and Benefits | | 699,439 |
| Intergovernmental Payable | | 186,714 |
| Matured Compensated Absences Payable | | 124,033 |
| Unearned Revenue | | 3,244,000 |
| Long-Term Liabilities: | | |
| Due Within One Year | | 149,000 |
| Due in More Than One Year | | 4,085,047 |
| Total Liabilities | | <u>8,491,600</u> |
| NET ASSETS: | | |
| Invested in Capital Assets, Net of Related Debt | | 1,961,571 |
| Restricted for Debt Service | | 183,816 |
| Restricted for Capital Outlay | | 52,383 |
| Restricted for Other Purposes | | 188,015 |
| Unrestricted | | 2,988,873 |
| Total Net Assets | \$ | <u><u>5,374,658</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Activities
For the Fiscal Year Ended June 30, 2007**

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net(Expense)</u> |
|---|----------------------------|---|---|--|
| | | <u>Charges for</u> <u>Services and</u> <u>Sales</u> | <u>Operating</u> <u>Grants and</u> <u>Contributions</u> | <u>Revenue and</u> <u>Changes in Net</u> <u>Assets</u> |
| | | | | <u>Governmental</u> <u>Activities</u> |
| Governmental Activities: | | | | |
| Instruction: | | | | |
| Regular | \$ 3,523,009 | \$ 648,034 | \$ 140,949 | \$ (2,734,026) |
| Special | 636,233 | | 242,858 | (393,375) |
| Vocational | | | 446 | 446 |
| Adult/Continuing | 3,191 | | | (3,191) |
| Other | 169,252 | | 9,540 | (159,712) |
| Support Services: | | | | |
| Pupils | 645,649 | | | (645,649) |
| Instructional Staff | 443,837 | | 6,934 | (436,903) |
| Board of Education | 36,024 | | | (36,024) |
| Administration | 820,505 | | | (820,505) |
| Fiscal | 352,898 | | | (352,898) |
| Operation and Maintenance of Plant | 738,381 | | | (738,381) |
| Pupil Transportation | 248,918 | | 29,885 | (219,033) |
| Central | 31,424 | | 11,000 | (20,424) |
| Operation of Non-Instructional Services | 169,989 | 75,169 | 60,648 | (34,172) |
| Extracurricular Activities | 288,491 | 83,393 | 5,853 | (199,245) |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 182,110 | | | (182,110) |
| Totals | \$ <u>8,289,911</u> | \$ <u>806,596</u> | \$ <u>508,113</u> | <u>(6,975,202)</u> |
| General Revenues: | | | | |
| Taxes: | | | | |
| Property Taxes, Levied for General Purposes | | | | 3,247,649 |
| Property Taxes, Levied for Capital Outlay | | | | 61,000 |
| Property Taxes, Levied for Debt Service | | | | 270,871 |
| Income Taxes | | | | 1,307,090 |
| Grants and Entitlements not Restricted to Specific Programs | | | | 1,584,944 |
| Gifts and Donations | | | | 21,356 |
| Investment Earnings | | | | 199,157 |
| Miscellaneous | | | | 86,097 |
| Total General Revenues | | | | <u>6,778,164</u> |
| Change in Net Assets | | | | (197,038) |
| Net Assets Beginning of Year | | | | <u>5,571,696</u> |
| Net Assets End of Year | | | | <u>\$ 5,374,658</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet
Governmental Funds
June 30, 2007**

| | <u>General Fund</u> | <u>Emergency Levy Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,254,159 | \$ 28,971 | \$ 281,083 | \$ 3,564,213 |
| Cash and Cash Equivalents with Fiscal Agents | | | 470 | 470 |
| Materials and Supplies Inventory | | | 1,192 | 1,192 |
| Accrued Interest Receivable | 4,061 | | | 4,061 |
| Accounts Receivable | 11,231 | | 40 | 11,271 |
| Intergovernmental Receivable | | | 15,366 | 15,366 |
| Prepaid Items | 4,766 | | | 4,766 |
| Taxes Receivable | 2,288,624 | 989,907 | 333,040 | 3,611,571 |
| Income Taxes Receivable | 703,777 | | | 703,777 |
| Total Assets | \$ <u>6,266,618</u> | \$ <u>1,018,878</u> | \$ <u>631,191</u> | \$ <u>7,916,687</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 3,367 | | | 3,367 |
| Accrued Wages and Benefits | 672,856 | 4,177 | 22,406 | 699,439 |
| Intergovernmental Payable | 181,480 | | 5,234 | 186,714 |
| Matured Compensated Absences Payable | 122,932 | | 1,101 | 124,033 |
| Deferred Revenue | <u>2,221,591</u> | <u>929,865</u> | <u>312,158</u> | <u>3,463,614</u> |
| | <u>3,202,226</u> | <u>934,042</u> | <u>340,899</u> | <u>4,477,167</u> |
| Fund Balances | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 23,051 | | 16,606 | 39,657 |
| Reserved for Prepaid Items | 4,766 | | | 4,766 |
| Reserved for Property Taxes | 135,056 | 60,042 | 20,882 | 215,980 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 2,901,519 | | | 2,901,519 |
| Special Revenue Funds | | 24,794 | 62,995 | 87,789 |
| Debt Service Funds | | | 156,318 | 156,318 |
| Capital Projects Funds | | | 33,491 | 33,491 |
| Total Fund Balances | <u>3,064,392</u> | <u>84,836</u> | <u>290,292</u> | <u>3,439,520</u> |
| Total Liabilities and Fund Balances | \$ <u>6,266,618</u> | \$ <u>1,018,878</u> | \$ <u>631,191</u> | \$ <u>7,916,687</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2007**

| | | |
|---|-----------------------------|-------------------------|
| Total Governmental Fund Balances | \$ | 3,439,520 |
| Amounts reported for governmental activities on the statement of net assets are different because of the following: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. | | 5,949,571 |
| Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund. | | 219,614 |
| Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: | | |
| General Obligation Bonds Payable | (3,930,000) | |
| Capital Leases Payable | (58,000) | |
| Compensated Absences Payable | (246,047) | |
| | <u> </u> | (4,234,047) |
| Net Assets of Governmental Activities | \$ | <u><u>5,374,658</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007**

| | <u>General Fund</u> | <u>Emergency Levy Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 2,337,905 | \$ 956,495 | \$ 336,834 | \$ 3,631,234 |
| Income Taxes | 1,307,613 | | | 1,307,613 |
| Intergovernmental | 1,496,696 | 137,061 | 459,300 | 2,093,057 |
| Interest | 198,623 | | 534 | 199,157 |
| Tuition and Fees | 630,433 | | 14,701 | 645,134 |
| Rent | 2,900 | | | 2,900 |
| Extracurricular Activities | | | 83,393 | 83,393 |
| Gifts and Donations | | | 21,356 | 21,356 |
| Customer Sales and Services | | | 75,169 | 75,169 |
| Miscellaneous | 86,097 | | | 86,097 |
| Total Revenues | <u>6,060,267</u> | <u>1,093,556</u> | <u>991,287</u> | <u>8,145,110</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,169,255 | 1,043,239 | 187,209 | 3,399,703 |
| Special | 568,697 | | 66,889 | 635,586 |
| Adult/Continuing | 3,191 | | | 3,191 |
| Other | 161,334 | | 7,918 | 169,252 |
| Support Services: | | | | |
| Pupils | 543,407 | | 102,242 | 645,649 |
| Instructional Staff | 416,665 | | 23,457 | 440,122 |
| Board of Education | 36,024 | | | 36,024 |
| Administration | 817,408 | | | 817,408 |
| Fiscal | 331,750 | 15,591 | 5,557 | 352,898 |
| Operation and Maintenance of Plant | 610,881 | | 917 | 611,798 |
| Pupil Transportation | 240,535 | | 60,429 | 300,964 |
| Central | 472 | | 30,952 | 31,424 |
| Operation of Non-Instructional Services | 4,349 | | 162,647 | 166,996 |
| Extracurricular Activities | 168,372 | | 108,760 | 277,132 |
| Capital Outlay | 45,965 | | 17,717 | 63,682 |
| Debt Service: | | | | |
| Principal | 29,991 | | 125,000 | 154,991 |
| Interest | 5,064 | | 177,046 | 182,110 |
| Total Expenditures | <u>6,153,360</u> | <u>1,058,830</u> | <u>1,076,740</u> | <u>8,288,930</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(93,093)</u> | <u>34,726</u> | <u>(85,453)</u> | <u>(143,820)</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | | | 47,000 | 47,000 |
| Transfers Out | (47,000) | | | (47,000) |
| Total Other Financing Sources and Uses | <u>(47,000)</u> | <u>-</u> | <u>47,000</u> | <u>-</u> |
| Net Change in Fund Balances | (140,093) | 34,726 | (38,453) | (143,820) |
| Fund Balance (Deficit) at Beginning of Year | 3,204,485 | 50,110 | 328,745 | 3,583,340 |
| Fund Balance (Deficit) at End of Year | <u>\$ 3,064,392</u> | <u>\$ 84,836</u> | <u>\$ 290,292</u> | <u>\$ 3,439,520</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (143,820)

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|---|------------------|-----------|
| Capital Outlay - Depreciable Capital Assets | 134,512 | |
| Depreciation | <u>(247,462)</u> | |
| | | (112,950) |

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

| | | |
|---|--|----------|
| Gain (Loss) on Disposal of Capital Assets | | (89,960) |
|---|--|----------|

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

| | | |
|---------------------------|-----------------|----------|
| Income Taxes | (523) | |
| Delinquent Property Taxes | <u>(51,714)</u> | |
| | | (52,237) |

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

154,991

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

| | | |
|------------------------------|---------------|---------------|
| Compensated Absences Payable | <u>46,938</u> | |
| | | <u>46,938</u> |

| | | |
|---|--|----------------------------|
| Change in Net Assets of Governmental Activities | | \$ <u><u>(197,038)</u></u> |
|---|--|----------------------------|

See Accompanying Notes to the Basic Financial Statements

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

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2007**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|---------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 2,211,561 | \$ 2,259,448 | \$ 2,289,634 | \$ 30,186 |
| Income Tax | 1,086,010 | 1,140,000 | 1,191,061 | 51,061 |
| Intergovernmental | 1,502,911 | 1,521,279 | 1,496,735 | (24,544) |
| Interest | 101,000 | 168,403 | 198,838 | 30,435 |
| Tuition and Fees | 547,779 | 630,279 | 630,280 | 1 |
| Rent | 400 | 2,900 | 2,900 | - |
| Miscellaneous | 5,865 | 7,365 | 7,584 | 219 |
| Total Revenues | <u>5,455,526</u> | <u>5,729,674</u> | <u>5,817,032</u> | <u>87,358</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,251,814 | 2,220,908 | 2,181,490 | 39,418 |
| Special | 536,375 | 531,887 | 555,895 | (24,008) |
| Adult/Continuing | | | 2,234 | (2,234) |
| Other | 151,961 | 151,961 | 162,278 | (10,317) |
| Support Services: | | | | |
| Pupils | 375,514 | 498,449 | 544,694 | (46,245) |
| Instructional Staff | 454,859 | 456,016 | 426,252 | 29,764 |
| Board of Education | 43,450 | 43,450 | 44,986 | (1,536) |
| Administration | 829,113 | 798,260 | 785,463 | 12,797 |
| Fiscal | 352,560 | 350,273 | 335,614 | 14,659 |
| Operation and Maintenance of Plant | 686,853 | 680,888 | 631,653 | 49,235 |
| Pupil Transportation | 241,281 | 247,662 | 234,249 | 13,413 |
| Central | 2,500 | 2,500 | 725 | 1,775 |
| Operation of Non-Instructional Services | 5,000 | 5,000 | 4,349 | 651 |
| Extracurricular Activities | 171,607 | 177,607 | 167,164 | 10,443 |
| Capital Outlay | 47,204 | 46,204 | 45,965 | 239 |
| Debt Service | | | | |
| Principal | 30,000 | 30,000 | 30,000 | - |
| Interest | 5,056 | 5,056 | 5,055 | 1 |
| Total Expenditures | <u>6,185,147</u> | <u>6,246,121</u> | <u>6,158,066</u> | <u>88,055</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(729,621)</u> | <u>(516,447)</u> | <u>(341,034)</u> | <u>175,413</u> |
| Other Financing Sources and Uses: | | | | |
| Transfers In | 20,000 | 20,000 | 20,000 | - |
| Refund of Prior Year Expenditures | 20,000 | 72,000 | 71,937 | (63) |
| Transfers Out | (61,000) | (67,000) | (67,000) | - |
| Advances Out | (10,000) | (10,000) | | 10,000 |
| Total Other Financing Sources and Uses | <u>(31,000)</u> | <u>15,000</u> | <u>24,937</u> | <u>9,937</u> |
| Net Change in Fund Balances | <u>(760,621)</u> | <u>(501,447)</u> | <u>(316,097)</u> | <u>185,350</u> |
| Fund Balance (Deficit) at Beginning of Year | 3,497,140 | 3,497,140 | 3,497,140 | - |
| Prior Year Encumbrances Appropriated | 46,699 | 46,699 | 46,699 | - |
| Fund Balance (Deficit) at End of Year | <u>\$ 2,783,218</u> | <u>\$ 3,042,392</u> | <u>\$ 3,227,742</u> | <u>\$ 185,350</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMERGENCY LEVY FUND
For the Fiscal Year Ended June 30, 2007**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 948,000 | \$ 948,000 | \$ 935,506 | \$ (12,494) |
| Intergovernmental | 112,000 | 140,019 | 137,061 | (2,958) |
| Total Revenues | <u>1,060,000</u> | <u>1,088,019</u> | <u>1,072,567</u> | <u>(15,452)</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 1,045,000 | 1,045,000 | 1,044,252 | 748 |
| Support Services: | | | | |
| Fiscal | <u>17,950</u> | <u>17,950</u> | <u>15,591</u> | <u>2,359</u> |
| Total Expenditures | <u>1,062,950</u> | <u>1,062,950</u> | <u>1,059,843</u> | <u>3,107</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(2,950)</u> | <u>25,069</u> | <u>12,724</u> | <u>(12,345)</u> |
| Net Change in Fund Balances | (2,950) | 25,069 | 12,724 | 12,345 |
| Fund Balance (Deficit) at Beginning of Year | 16,247 | 16,247 | 16,247 | - |
| Fund Balance (Deficit) at End of Year | <u>\$ 13,297</u> | <u>\$ 41,316</u> | <u>\$ 28,971</u> | <u>\$ 12,345</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007**

| | <u>Agency Fund</u> |
|--|-------------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>30,050</u> |
| Total Assets | <u>30,050</u> |
| Liabilities | |
| Current Liabilities: | |
| Undistributed Monies | 30,050 |
| Total Liabilities | \$ <u><u>30,050</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Board oversees the operations of the District's seven instructional/support facilities staffed by 29 non-certified and 58 certified full-time teaching personnel who provide services to 658 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Fiduciary Funds

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the 1st digit of the function level (i.e., instruction, support services, non-instructional, etc.) within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at levels below the legal level of control may be made by the Treasurer.

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

F. Cash and Investments

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

During fiscal year 2007, investments included STAR Ohio.

The District had invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to \$198,623, and \$534 to other District funds.

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

G. Inventory

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

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

H. Capital Assets

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

I. Compensated Absences

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

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

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

L. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

M. Interfund Activity

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

N. Estimates

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

O. Pass-Through Grants

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

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

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

| Net Change in Fund Balance Major Governmental Fund | | |
|---|----------------|------------------|
| | General | Emergency |
| GAAP Basis | (\$140,093) | \$34,726 |
| <u>Increase (Decrease) Due To:</u> | | |
| Revenue Accruals: | | |
| Accrued FY 2006, Received In Cash FY 2007 | 615,193 | 39,053 |
| Accrued FY 2007, Not Yet Received in Cash | (858,428) | (60,042) |
| Expenditure Accruals: | | |
| Accrued FY 2006, Paid in Cash FY 2007 | (947,363) | (5,190) |
| Accrued FY 2007, Not Yet Paid in Cash | 1,041,012 | 4,177 |
| Encumbrances Outstanding at Year End (Budget Basis) | (26,418) | - |
| Budget Basis | (\$316,097) | \$12,724 |

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,315,612 of the District's bank balance of \$1,515,612 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2007, the District had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturities Less than One Year</u> |
|--|--------------------|--|
| Federal Home Loan Bank Notes | \$596,954 | \$596,954 |
| Federal Home Loan Mortgage Corporation Notes | 1,344,905 | 1,344,905 |
| Federal National Mortgage Association | 349,345 | 349,345 |
| Total Investments | <u>\$2,291,204</u> | <u>\$2,291,204</u> |

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

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

Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The District has no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investments in Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association represent 26 percent, 59 percent and 15 percent, respectively, of the District's total investments.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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

The District receives property taxes from Greene County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2007 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2007, was \$135,056 in the General Fund, \$60,042 in the Emergency Levy special revenue fund, and \$20,882 in the Non-major Governmental Funds. The amount available as an advance at June 30, 2006, was \$86,785 in the General Fund, \$39,053 in the Special Revenue Fund, and \$13,528 in the Non-major Governmental Funds.

The assessed values upon which the fiscal year 2007 taxes were collected are:

| | 2006 Second- Half Collections | | 2007 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$97,840,040 | 84% | \$98,865,310 | 85% |
| Industrial/Commercial | 11,905,910 | 10% | 11,939,020 | 10% |
| Public Utility | 2,024,630 | 2% | 1,834,870 | 2% |
| Tangible Personal | 5,345,123 | 4% | 3,853,690 | 3% |
| Total Assessed Value | <u>\$117,115,703</u> | <u>100%</u> | <u>\$116,492,890</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$68.05 | | \$68.10 | |

6. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of \$1,307,613 were credited to the General Fund during fiscal year 2007.

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

7. RECEIVABLES

Receivables at June 30, 2007, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|---------------|
| Governmental Activities | |
| Title VI-B | \$1,854 |
| Title I | 13,512 |
| Total Intergovernmental Receivables | \$15,366 |

8. CAPITAL ASSETS

During the year-ended June 30, 2007, the District reclassified \$1,089,061 of land from the land improvement category to accurately report its capital assets. There was no affect on net assets as a result of this reclassification since no depreciation had been charged against these assets in prior fiscal years. Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

| | Reclassified Balance at 6/30/06 | Additions | Reductions | Balance at 6/30/07 |
|---|--|------------------|-------------------|-------------------------------|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$1,238,340 | | | \$1,238,340 |
| Construction in Progress | 24,918 | | | 24,918 |
| Total Nondepreciable Capital Assets | 1,263,258 | | | 1,263,258 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 467,477 | | | 467,477 |
| Buildings and Building Improvements | 6,083,928 | \$44,820 | | 6,128,748 |
| Furniture, Fixtures, and Equipment | 496,294 | 26,621 | \$130,008 | 392,907 |
| Vehicles | 389,505 | 63,071 | 35,880 | 416,696 |
| Books | 233,060 | | | 233,060 |
| Total Depreciable Capital Assets | 7,670,264 | 134,512 | 165,888 | 7,638,888 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 175,422 | 19,147 | | 194,569 |
| Buildings and Building Improvements | 1,873,578 | 174,947 | | 2,048,525 |
| Furniture, Fixtures, and Equipment | 197,084 | 18,753 | 40,048 | 175,789 |
| Vehicles | 301,897 | 34,615 | 35,880 | 300,632 |
| Books | 233,060 | | | 233,060 |
| Total Accumulated Depreciation | 2,781,041 | 247,462 | 75,928 | 2,952,575 |
| Depreciable Capital Assets, Net | 4,889,223 | (112,950) | 89,960 | 4,686,313 |
| Governmental Activities Capital Assets, Net | \$6,152,481 | (\$112,950) | \$89,960 | \$5,949,571 |

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

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------------|
| Instruction: | |
| Regular | \$190,182 |
| Support Services: | |
| Instructional Staff | 3,715 |
| Administration | 1,535 |
| Business | 2,802 |
| Pupil Transportation | 34,876 |
| Non-Instruction | 2,993 |
| Extracurricular | 11,359 |
| Total Depreciation Expense | <u><u>\$247,462</u></u> |

9. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted with Hylant Administrative Services LLC for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 general aggregate and \$1,000,000 products completed operations aggregate limit. Property is protected by Indiana Insurance Company with a \$16,129,549 aggregate limit and holds a \$1,000 deductible.

The District's vehicles are covered under a business policy with Indiana Insurance Company, which carries a \$2,000,000 limit on any accident with a \$100 comp/\$250 collision deductible.

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

B. Workers' Compensation

For fiscal year 2007, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

C. Medical Benefits

For fiscal year 2007, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

10. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$121,663, \$113,548, and \$95,642, respectively; 51 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contributions for fiscal year 2007 are \$79,608.

B. State Teachers Retirement System

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

**YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
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(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, 2007, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$480,641, \$469,016, and \$444,008, respectively; 84 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is \$81,185.

11. POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefits recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions

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

equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$34,332 for fiscal year 2007.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available) the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the District paid \$43,711 to fund health care benefits, including the surcharge.

SERS' net health care costs for the year ending June 30, 2006 (the latest information available) were \$158,751,207. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of SERS participants eligible to receive benefits is 59,492.

12. COMPENSATED ABSENCES

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment up to an accumulation of 25 days. For the High School Principal and the Treasurer there is no cap on the accumulation of vacation time and they are paid for all accumulated time upon retirement or resignation. For the Superintendent there is a cap of 22 vacation days total accumulation and he is paid for all accumulated time upon retirement for resignation. Only 260 day employees earn vacation time.

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

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(Continued)**

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

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

B. Insurance Benefits

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

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2007, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

| | <u>Balance at 6/30/06</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at 6/30/07</u> | <u>Due Within One Year</u> |
|---|-------------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| Permanent Improvement Bonds 2002 Variable Rate | \$4,055,000 | | \$125,000 | \$3,930,000 | \$130,000 |
| Capital Leases | 87,991 | | 29,991 | 58,000 | 19,000 |
| Compensated Absences Payable | 292,985 | \$246,047 | 292,985 | 246,047 | |
| Total | <u>\$4,435,976</u> | <u>\$246,047</u> | <u>\$447,976</u> | <u>\$4,234,047</u> | <u>\$149,000</u> |

A. Permanent Improvement Bonds

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

Principal and interest requirements to retire the permanent improvement bonds outstanding at June 30, 2007, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|--------------------|--------------------|--------------------|
| 2008 | \$130,000 | \$173,234 | \$303,234 |
| 2009 | 140,000 | 168,822 | 308,822 |
| 2010 | 145,000 | 163,882 | 308,882 |
| 2011 | 150,000 | 158,373 | 308,373 |
| 2012 | 155,000 | 152,461 | 307,461 |
| 2013-2017 | 600,000 | 957,330 | 1,557,330 |
| 2018-2022 | 1,020,000 | 522,865 | 1,542,865 |
| 2023-2027 | 1,290,000 | 242,383 | 1,532,383 |
| 2028 | 300,000 | 7,500 | 307,500 |
| Total | \$3,930,000 | \$2,546,850 | \$6,476,850 |

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

The District's voted legal debt margin was \$6,554,360 with an unvoted debt margin of \$116,493 at June 30, 2007.

14. CAPITALIZED LEASES – LESSEE DISCLOSURE

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

The capital assets consisting of equipment, furniture and fixtures, and land improvements have been capitalized in the statement of net assets in the amount of \$357,771. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2007 totaled \$29,991 in the General Fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2007.

| Year Ending June 30, 2007 | Amount |
|--|-----------------|
| 2008 | \$21,250 |
| 2009 | 20,451 |
| 2010 | 20,641 |
| Total Future Minimum Lease Payments | 62,342 |
| Less: Amount Representing Interest | (4,342) |
| Present Value of Future Minimum Lease Payments | <u>\$58,000</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2007, only the unspent portion of certain workers' compensation refunds is required to be set-aside at fiscal year end.

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|--|--------------------|--------------------------------|---------------------------------|
| Set-aside Cash Balance as of June 30, 2006 | (\$345,117) | (\$1,986,272) | \$19,479 |
| Current Year Set-aside Requirement | 92,959 | 92,959 | 0 |
| Qualifying Disbursements | (131,809) | (313,376) | (19,479) |
| Total | <u>(383,967)</u> | <u>(2,206,689)</u> | <u>\$0</u> |
| Cash Balance Carried Forward to FY 2008 | <u>(\$383,967)</u> | <u>(\$2,206,689)</u> | <u>\$0</u> |
| Set-aside Balances as of June 30, 2007 | | | <u>\$0</u> |

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

The Board of Education passed a resolution directing the treasurer to use the Bureau of Workers' Compensation funds for the purchase of a school bus thereby depleting the Budget Stabilization funds to zero.

16. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association (MVECA)

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA \$15,817 for services provided during the year. Financial information can be obtained from Norma Stewart, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund and Federal Title Funds. During fiscal year 2007, the Yellow Springs Exempted Village School District paid \$2,063 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association (SOITA)

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

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

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2007, the Yellow Springs Exempted Village School District paid \$2,164 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

D. Greene County Career Center

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

E. Miami Valley Special Education Regional Resource Center

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

17. GROUP PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

18. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

B. Litigation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

19. INTERFUND TRANSACTIONS

During the year ended June 30, 2007 the General Fund transferred \$47,000 to Other Non-major Governmental Funds. These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008
Unaudited**

The discussion and analysis of the financial performance of Yellow Springs Exempted Village School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2008 are as follows:

In total, net assets increased \$79,031.

General revenues accounted for \$6,768,757, or 82 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants and contributions accounted for \$1,468,751 or 18 percent of total revenues of \$8,237,508.

The District's major funds included the General Fund and the Emergency Levy Fund. The General Fund had \$6,101,805 in revenues and \$5,972,252 in expenditures and other financing uses. The General Fund balance increased \$129,553 from the prior fiscal year.

The Emergency Levy Fund had \$1,079,057 in revenues and \$1,071,348 in expenditures. The Emergency Levy Fund balance increased \$7,709 from the prior fiscal year.

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

Using the Basic Financial Statements

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

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

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

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

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2008. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

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

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

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

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

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2008 compared to fiscal year 2007.

**Table 1
Net Assets
Governmental Activities**

| | 2008 | 2007 |
|---|--------------------|--------------------|
| <u>Assets:</u> | | |
| Current and Other Assets | \$8,019,000 | \$7,916,687 |
| Capital Assets, Net | 5,729,346 | 5,949,571 |
| Total Assets | <u>13,748,346</u> | <u>13,866,258</u> |
| <u>Liabilities:</u> | | |
| Current and Other Liabilities | 4,206,465 | 4,257,553 |
| Long-Term Liabilities | 4,088,192 | 4,234,047 |
| Total Liabilities | <u>8,294,657</u> | <u>8,491,600</u> |
| <u>Net Assets:</u> | | |
| Invested in Capital Assets, Net of Related Debt | 1,902,346 | 1,961,571 |
| Restricted | 426,827 | 424,214 |
| Unrestricted | 3,124,516 | 2,988,873 |
| Total | <u>\$5,453,689</u> | <u>\$5,374,658</u> |

The increase in net assets from 2007 to 2008 was insignificant.

Table 2 reflects the changes in net assets for fiscal year 2008 compared to fiscal year 2007.

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

| | 2008 | 2007 |
|--|------------------|------------------|
| <u>Revenues:</u> | | |
| Program Revenues: | | |
| Charges for Services and Sales | \$924,241 | \$806,596 |
| Operating Grants, Contributions and Interest | 523,498 | 508,113 |
| Capital Grants and Contributions | 21,012 | |
| Total Program Revenues | <u>1,468,751</u> | <u>1,314,709</u> |
| General Revenues: | | |
| Property Taxes | 3,429,119 | 3,579,520 |
| Income Taxes | 1,391,506 | 1,307,090 |
| Grants and Entitlements | 1,699,745 | 1,584,944 |
| Interest | 179,024 | 199,157 |
| Gifts and Donations | 17,115 | 21,356 |
| Miscellaneous | 52,248 | 86,097 |
| Total General Revenues | <u>6,768,757</u> | <u>6,778,164</u> |
| Total Revenues | <u>8,237,508</u> | <u>8,092,873</u> |

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

| | | |
|------------------------------------|------------------|--------------------|
| <u>Expenses:</u> | | |
| Instruction | 4,366,824 | 4,331,685 |
| Support Services: | | |
| Pupils | 565,936 | 645,649 |
| Instructional Staff | 395,239 | 443,837 |
| Board of Education | 36,736 | 36,024 |
| Administration | 769,420 | 820,505 |
| Fiscal | 338,971 | 352,898 |
| Business | 2,802 | |
| Operation and Maintenance of Plant | 723,851 | 738,381 |
| Pupil Transportation | 299,451 | 248,918 |
| Central | 29,648 | 31,424 |
| Non-Instructional | 152,769 | 169,989 |
| Extracurricular Activities | 299,730 | 288,491 |
| Interest and Fiscal Charges | 177,100 | 182,110 |
| Total Expenses | <u>8,158,477</u> | <u>8,289,911</u> |
| Increase/(Decrease) in Net Assets | <u>\$79,031</u> | <u>(\$197,038)</u> |

In fiscal year 2008 education expenses decreased by 1 percent while revenues increased by 2 percent.

Governmental Activities

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

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

**Table 3
Governmental Activities**

| | Total Cost of Services 2008 | Net Cost of Services 2008 | Total Cost of Services 2007 | Net Cost of Services 2007 |
|------------------------------------|--|--|--|--|
| Instruction | \$4,366,824 | \$3,362,792 | \$4,331,685 | \$3,289,858 |
| Support Services: | | | | |
| Pupils | 565,936 | 404,030 | 645,649 | 645,649 |
| Instructional Staff | 395,239 | 389,660 | 443,837 | 436,903 |
| Board of Education | 36,736 | 36,736 | 36,024 | 36,024 |
| Administration | 769,420 | 769,420 | 820,505 | 820,505 |
| Fiscal | 338,971 | 338,971 | 352,898 | 352,898 |
| Business | 2,802 | 2,802 | | |
| Operation and Maintenance of Plant | 723,851 | 723,851 | 738,381 | 738,381 |
| Pupil Transportation | 299,451 | 283,605 | 248,918 | 219,033 |
| Central | 29,648 | 18,648 | 31,424 | 20,424 |
| Non-Instructional | 152,769 | 10,709 | 169,989 | 34,172 |
| Extracurricular Activities | 299,730 | 171,402 | 288,491 | 199,245 |
| Interest and Fiscal Charges | 177,100 | 177,100 | 182,110 | 182,110 |
| Total Expenses | \$8,158,477 | \$6,689,726 | \$8,289,911 | \$6,975,202 |

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. The instruction activities are supported through charges for services and operating grants. For all governmental activities, support from general revenues is 82 percent. The remaining 18 percent are derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund and the Emergency Levy Fund. Total governmental funds had revenues of \$8,223,814 and expenditures of \$8,084,107. The net positive change of \$139,707 in fund balance for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2008, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$6,271,028 while actual expenditures were \$6,157,961. The \$113,067 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

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

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2008
Unaudited
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$5,729,346 invested in capital assets (net of accumulated depreciation) for governmental activities. This is a decrease of \$220,225 from the prior year, mainly attributable to depreciation expense during the fiscal year.

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

Debt

At June 30, 2008, the District had \$3,800,000 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-year period, with final maturity on December 1, 2027. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2008, the District's overall legal debt margin was \$6,608,708, with an un-voted debt margin of \$115,652.

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

Current Issues

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

The District is currently operating in the first year of the state biennium budget. 75 percent of District revenue sources is from local funds, 21.2 percent is from state funds, and the remaining 3.8 percent is from federal funds. The total expenditure per pupil was calculated at \$11,298.

Over the past several years, the District has remained in a good financial position. In May 2007, the District passed a three-year emergency levy to generate \$1,060,000 annually beginning collection January 2008. This levy provides a source of funds for the financial operations and stability of the District. Also in March 2008, the District passed a 5 year Permanent Improvement Levy to begin collection in January 2009, this levy will provide for the needed capital improvements to the district. Future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools in light of the DeRolph court case and the long term effects of public utility deregulation, as well as the phased out elimination of personal property taxes by 2010 due to HB66.

Contacting the District's Financial Management

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

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

**Statement of Net Assets
June 30, 2008**

| | | Governmental Activities |
|---|----|------------------------------------|
| Assets: | | |
| Equity in Pooled Cash and Cash Equivalents | \$ | 3,705,910 |
| Cash and Cash Equivalents with Fiscal Agents | | 265 |
| Materials and Supplies Inventory | | 2,058 |
| Accrued Interest Receivable | | 4,219 |
| Accounts Receivable | | 47,594 |
| Intergovernmental Receivable | | 25,419 |
| Prepaid Items | | 1,934 |
| Taxes Receivable | | 3,521,665 |
| Income Taxes Receivable | | 709,936 |
| Capital Assets: | | |
| Non-Depreciable Capital Assets | | 1,263,258 |
| Depreciable Capital Assets, net | | 4,466,088 |
| Total Assets | | <u>13,748,346</u> |
| LIABILITIES: | | |
| Accounts Payable | | 6,181 |
| Accrued Wages and Benefits | | 670,425 |
| Intergovernmental Payable | | 204,936 |
| Matured Compensated Absences Payable | | 77,302 |
| Unearned Revenue | | 3,247,621 |
| Long-Term Liabilities: | | |
| Due Within One Year | | 159,000 |
| Due in More Than One Year | | 3,929,192 |
| Total Liabilities | | <u>8,294,657</u> |
| NET ASSETS: | | |
| Invested in Capital Assets, Net of Related Debt | | 1,902,346 |
| Restricted for Debt Service | | 173,322 |
| Restricted for Capital Outlay | | 55,804 |
| Restricted for Other Purposes | | 197,701 |
| Unrestricted | | 3,124,516 |
| Total Net Assets | \$ | <u><u>5,453,689</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Activities
For the Fiscal Year Ended June 30, 2008**

| | Program Revenues | | | Net(Expense) Revenue and Changes in Net Assets | |
|---|---------------------|--------------------------------------|--|---|----------------------------|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 3,524,857 | \$ 743,211 | \$ 164,768 | \$ 5,166 | (2,611,712) |
| Special | 651,499 | | 77,831 | | (573,668) |
| Vocational | | | 438 | | 438 |
| Other | 190,468 | | 12,618 | | (177,850) |
| Support Services: | | | | | |
| Pupils | 565,936 | | 161,906 | | (404,030) |
| Instructional Staff | 395,239 | | 5,579 | | (389,660) |
| Board of Education | 36,736 | | | | (36,736) |
| Administration | 769,420 | | | | (769,420) |
| Fiscal | 338,971 | | | | (338,971) |
| Business | 2,802 | | | | (2,802) |
| Operation and Maintenance of Plant | 723,851 | | | | (723,851) |
| Pupil Transportation | 299,451 | | | 15,846 | (283,605) |
| Central | 29,648 | | 11,000 | | (18,648) |
| Operation of Non-Instructional Services | 152,769 | 80,596 | 61,464 | | (10,709) |
| Extracurricular Activities | 299,730 | 100,434 | 27,894 | | (171,402) |
| Debt Service: | | | | | |
| Interest and Fiscal Charges | 177,100 | | | | (177,100) |
| Totals | \$ 8,158,477 | \$ 924,241 | \$ 523,498 | \$ 21,012 | (6,689,726) |
| General Revenues: | | | | | |
| Taxes: | | | | | |
| Property Taxes, Levied for General Purposes | | | | | 3,115,854 |
| Property Taxes, Levied for Capital Outlay | | | | | 57,755 |
| Property Taxes, Levied for Debt Service | | | | | 255,510 |
| Income Taxes | | | | | 1,391,506 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 1,699,745 |
| Gifts and Donations | | | | | 17,115 |
| Investment Earnings | | | | | 179,024 |
| Miscellaneous | | | | | 52,248 |
| Total General Revenues | | | | | 6,768,757 |
| Change in Net Assets | | | | | 79,031 |
| Net Assets Beginning of Year | | | | | 5,374,658 |
| Net Assets End of Year | | | | | \$ 5,453,689 |

See Accompanying Notes to the Basic Financial Statements

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

**Balance Sheet
Governmental Funds
June 30, 2008**

| | <u>General Fund</u> | <u>Emergency Levy Fund</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| Assets | | | | |
| Current Assets: | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$ 3,358,513 | \$ 59,115 | \$ 288,282 | \$ 3,705,910 |
| Cash and Cash Equivalents with Fiscal Agents | | | 265 | 265 |
| Materials and Supplies Inventory | | | 2,058 | 2,058 |
| Accrued Interest Receivable | 4,219 | | | 4,219 |
| Accounts Receivable | 47,339 | | 255 | 47,594 |
| Intergovernmental Receivable | | | 25,419 | 25,419 |
| Prepaid Items | 1,934 | | | 1,934 |
| Taxes Receivable | 2,207,389 | 955,158 | 359,118 | 3,521,665 |
| Income Taxes Receivable | 709,936 | | | 709,936 |
| Total Assets | \$ <u>6,329,330</u> | \$ <u>1,014,273</u> | \$ <u>675,397</u> | \$ <u>8,019,000</u> |
| Liabilities | | | | |
| Current Liabilities: | | | | |
| Accounts Payable | 5,881 | | 300 | 6,181 |
| Accrued Wages and Benefits | 638,556 | 4,525 | 27,344 | 670,425 |
| Intergovernmental Payable | 197,450 | | 7,486 | 204,936 |
| Matured Compensated Absences Payable | 76,454 | | 848 | 77,302 |
| Deferred Revenue | 2,217,044 | 917,203 | 346,682 | 3,480,929 |
| | <u>3,135,385</u> | <u>921,728</u> | <u>382,660</u> | <u>4,439,773</u> |
| Fund Balances | | | | |
| Reserved: | | | | |
| Reserved for Encumbrances | 102,340 | | 9,191 | 111,531 |
| Reserved for Prepaid Items | 1,934 | | | 1,934 |
| Reserved for Property Taxes | 82,510 | 37,955 | 12,436 | 132,901 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 3,007,161 | | | 3,007,161 |
| Special Revenue Funds | | 54,590 | 65,204 | 119,794 |
| Debt Service Funds | | | 154,649 | 154,649 |
| Capital Projects Funds | | | 51,257 | 51,257 |
| Total Fund Balances | <u>3,193,945</u> | <u>92,545</u> | <u>292,737</u> | <u>3,579,227</u> |
| Total Liabilities and Fund Balances | \$ <u>6,329,330</u> | \$ <u>1,014,273</u> | \$ <u>675,397</u> | \$ <u>8,019,000</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2008**

| | | |
|--|-----------------------------|-------------------------|
| Total Governmental Fund Balances | \$ | 3,579,227 |
| <p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p> | | |
| Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds. | | 5,729,346 |
| Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund. | | 233,308 |
| Some liabilities are not due and payable in the current period and, therefore, not reported in the funds: | | |
| General Obligation Bonds Payable | (3,800,000) | |
| Capital Leases Payable | (27,000) | |
| Compensated Absences Payable | (261,192) | |
| | <u> </u> | (4,088,192) |
| Net Assets of Governmental Activities | \$ | <u><u>5,453,689</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008**

| | <u>General Fund</u> | <u>Emergency Levy Fund</u> | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|--------------------------------|---|---|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 2,195,895 | \$ 928,305 | \$ 315,367 | \$ 3,439,567 |
| Income Taxes | 1,367,364 | | | 1,367,364 |
| Intergovernmental | 1,585,052 | 150,752 | 508,451 | 2,244,255 |
| Interest | 178,765 | | 259 | 179,024 |
| Tuition and Fees | 724,524 | | 16,087 | 740,611 |
| Rent | 2,600 | | | 2,600 |
| Extracurricular Activities | | | 100,434 | 100,434 |
| Gifts and Donations | | | 17,115 | 17,115 |
| Customer Sales and Services | | | 80,596 | 80,596 |
| Miscellaneous | 47,605 | | 143 | 47,748 |
| Total Revenues | <u>6,101,805</u> | <u>1,079,057</u> | <u>1,038,452</u> | <u>8,219,314</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,100,649 | 1,054,413 | 209,841 | 3,364,903 |
| Special | 580,839 | | 68,098 | 648,937 |
| Other | 178,041 | | 12,427 | 190,468 |
| Support Services: | | | | |
| Pupils | 457,371 | | 108,565 | 565,936 |
| Instructional Staff | 368,801 | | 40,239 | 409,040 |
| Board of Education | 36,736 | | | 36,736 |
| Administration | 765,451 | | | 765,451 |
| Fiscal | 316,194 | 16,935 | 5,842 | 338,971 |
| Operation and Maintenance of Plant | 653,681 | | 394 | 654,075 |
| Pupil Transportation | 255,182 | | 9,393 | 264,575 |
| Central | 744 | | 28,904 | 29,648 |
| Operation of Non-Instructional Services | 5,736 | | 144,040 | 149,776 |
| Extracurricular Activities | 165,198 | | 123,173 | 288,371 |
| Capital Outlay | 17,663 | | 21,457 | 39,120 |
| Debt Service: | | | | |
| Principal | 31,000 | | 130,000 | 161,000 |
| Interest | 3,866 | | 173,234 | 177,100 |
| Total Expenditures | <u>5,937,152</u> | <u>1,071,348</u> | <u>1,075,607</u> | <u>8,084,107</u> |
| Excess of Revenues Over (Under) Expenditures | <u>164,653</u> | <u>7,709</u> | <u>(37,155)</u> | <u>135,207</u> |
| OTHER FINANCING SOURCES AND USES: | | | | |
| Transfers In | | | 35,100 | 35,100 |
| Proceeds from Sale of Capital Assets | | | 4,500 | 4,500 |
| Transfers Out | (35,100) | | | (35,100) |
| Total Other Financing Sources and Uses | <u>(35,100)</u> | <u>-</u> | <u>39,600</u> | <u>4,500</u> |
| Net Change in Fund Balances | 129,553 | 7,709 | 2,445 | 139,707 |
| Fund Balance (Deficit) at Beginning of Year | 3,064,392 | 84,836 | 290,292 | 3,439,520 |
| Fund Balance (Deficit) at End of Year | <u>\$ 3,193,945</u> | <u>\$ 92,545</u> | <u>\$ 292,737</u> | <u>\$ 3,579,227</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds \$ 139,707

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

| | | |
|---|------------------|-----------|
| Capital Outlay - Depreciable Capital Assets | 69,660 | |
| Depreciation | <u>(250,945)</u> | |
| | | (181,285) |

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

| | | |
|---|--|----------|
| Gain (Loss) on Disposal of Capital Assets | | (38,940) |
|---|--|----------|

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

| | | |
|---------------------------|-----------------|--------|
| Income Taxes | 24,142 | |
| Delinquent Property Taxes | <u>(10,448)</u> | |
| | | 13,694 |

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

161,000

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

| | | |
|------------------------------|-----------------|-----------------|
| Compensated Absences Payable | <u>(15,145)</u> | |
| | | <u>(15,145)</u> |

| | | |
|---|----|----------------------|
| Change in Net Assets of Governmental Activities | \$ | <u><u>79,031</u></u> |
|---|----|----------------------|

See Accompanying Notes to the Basic Financial Statements

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

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2008**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|---------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 2,255,000 | \$ 2,298,000 | \$ 2,248,441 | \$ (49,559) |
| Income Tax | 1,197,000 | 1,344,008 | 1,385,347 | 41,339 |
| Intergovernmental | 1,479,557 | 1,539,419 | 1,582,554 | 43,135 |
| Interest | 124,618 | 195,000 | 178,607 | (16,393) |
| Tuition and Fees | 636,139 | 727,979 | 724,677 | (3,302) |
| Rent | 2,900 | 2,900 | 2,600 | (300) |
| Miscellaneous | 7,500 | 7,500 | 137 | (7,363) |
| Total Revenues | <u>5,702,714</u> | <u>6,114,806</u> | <u>6,122,363</u> | <u>7,557</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 2,318,825 | 2,145,268 | 2,114,255 | 31,013 |
| Special | 566,189 | 573,867 | 587,447 | (13,580) |
| Adult/Continuing | 2,309 | 2,309 | | 2,309 |
| Other | 181,163 | 181,163 | 179,036 | 2,127 |
| Support Services: | | | | |
| Pupils | 457,242 | 456,472 | 456,955 | (483) |
| Instructional Staff | 413,878 | 400,779 | 380,708 | 20,071 |
| Board of Education | 52,409 | 52,409 | 43,975 | 8,434 |
| Administration | 861,953 | 836,668 | 817,522 | 19,146 |
| Fiscal | 334,826 | 318,998 | 309,502 | 9,496 |
| Operation and Maintenance of Plant | 692,387 | 656,940 | 654,328 | 2,612 |
| Pupil Transportation | 246,529 | 264,075 | 258,359 | 5,716 |
| Central | 1,053 | 1,053 | 591 | 462 |
| Operation of Non-Instructional Services | 5,000 | 6,500 | 5,736 | 764 |
| Extracurricular Activities | 173,546 | 173,546 | 165,485 | 8,061 |
| Capital Outlay | 5,000 | 98,113 | 94,098 | 4,015 |
| Debt Service | | | | |
| Principal | 31,000 | 31,000 | 31,000 | - |
| Interest | 3,870 | 3,870 | 3,866 | 4 |
| Total Expenditures | <u>6,347,179</u> | <u>6,203,030</u> | <u>6,102,863</u> | <u>100,167</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(644,465)</u> | <u>(88,224)</u> | <u>19,500</u> | <u>107,724</u> |
| Other Financing Sources and Uses: | | | | |
| Transfers In | 20,000 | 20,000 | 20,000 | - |
| Refund of Prior Year Expenditures | 72,000 | 72,000 | 13,705 | (58,295) |
| Transfers Out | (51,000) | (58,000) | (55,100) | 2,900 |
| Advances Out | (10,000) | (10,000) | | 10,000 |
| Total Other Financing Sources and Uses | <u>31,000</u> | <u>24,000</u> | <u>(21,395)</u> | <u>(45,395)</u> |
| Net Change in Fund Balances | <u>(613,465)</u> | <u>(64,224)</u> | <u>(1,895)</u> | <u>62,329</u> |
| Fund Balance (Deficit) at Beginning of Year | 3,227,742 | 3,227,742 | 3,227,742 | - |
| Prior Year Encumbrances Appropriated | 26,418 | 26,418 | 26,418 | - |
| Fund Balance (Deficit) at End of Year | <u>\$ 2,640,695</u> | <u>\$ 3,189,936</u> | <u>\$ 3,252,265</u> | <u>\$ 62,329</u> |

See Accompanying Notes to the Basic Financial Statements

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

**Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
EMERGENCY LEVY FUND
For the Fiscal Year Ended June 30, 2008**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget</u> |
|--|------------------------|---------------------|------------------|---------------------------------------|
| REVENUES: | | | | |
| Property and Other Local Taxes | \$ 936,000 | \$ 948,490 | \$ 950,392 | \$ 1,902 |
| Intergovernmental | 124,000 | 124,000 | 150,752 | 26,752 |
| Total Revenues | <u>1,060,000</u> | <u>1,072,490</u> | <u>1,101,144</u> | <u>28,654</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 1,045,000 | 1,055,000 | 1,054,065 | 935 |
| Support Services: | | | | |
| Fiscal | <u>16,200</u> | <u>17,200</u> | <u>16,935</u> | <u>265</u> |
| Total Expenditures | <u>1,061,200</u> | <u>1,072,200</u> | <u>1,071,000</u> | <u>1,200</u> |
| Excess of Revenues Over (Under) Expenditures | <u>(1,200)</u> | <u>290</u> | <u>30,144</u> | <u>29,854</u> |
| Net Change in Fund Balances | (1,200) | 290 | 30,144 | 29,854 |
| Fund Balance (Deficit) at Beginning of Year | 28,971 | 28,971 | 28,971 | - |
| Fund Balance (Deficit) at End of Year | <u>\$ 27,771</u> | <u>\$ 29,261</u> | <u>\$ 59,115</u> | <u>\$ 29,854</u> |

See Accompanying Notes to the Basic Financial Statements

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

| | <u>Agency Fund</u> |
|--|-------------------------|
| Assets | |
| Current Assets: | |
| Equity in Pooled Cash and Cash Equivalents | \$ <u>27,562</u> |
| Total Assets | <u>27,562</u> |
| Liabilities | |
| Current Liabilities: | |
| Undistributed Monies | 27,562 |
| Total Liabilities | \$ <u><u>27,562</u></u> |

See Accompanying Notes to the Basic Financial Statements

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The Board oversees the operations of the District's seven instructional/support facilities staffed by 26 non-certified and 55 certified full-time teaching personnel who provide services to 657 students and other community members.

The Reporting Entity

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fiduciary Funds

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

C. Measurement Focus

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The primary level of budgetary control is at the 1st digit of the function level (i.e., instruction, support services, non-instructional, etc.) within the General Fund and the fund level for all other funds. Any budgetary modifications at this level may only be made by the Board of Education. Budgetary allocations at levels below the legal level of control may be made by the Treasurer.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Cash and Investments

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

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2008 amounted to \$178,765, and \$259 to other District funds.

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

G. Inventory

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

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

I. Compensated Absences

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Liabilities and Long-Term Obligations

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

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

K. Net Assets

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

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

L. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Activity

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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

N. Estimates

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

O. Pass-Through Grants

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

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

| Net Change in Fund Balance | | |
|---|----------------|------------------|
| Major Governmental Fund | | |
| | General | Emergency |
| GAAP Basis | \$129,553 | \$7,709 |
| <u>Increase (Decrease) Due To:</u> | | |
| Revenue Accruals: | | |
| Accrued FY 2007, Received In Cash FY 2008 | 786,102 | 60,042 |
| Accrued FY 2008, Not Yet Received in Cash | (765,544) | (37,955) |
| Expenditure Accruals: | | |
| Accrued FY 2007, Paid in Cash FY 2008 | (975,869) | (4,177) |
| Accrued FY 2008, Not Yet Paid in Cash | 930,112 | 4,525 |
| Encumbrances Outstanding at Year End (Budget Basis) | (106,249) | |
| Budget Basis | (\$1,895) | \$30,144 |

4. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,398,799 of the District's bank balance of \$1,598,799 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

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

Investments

As of June 30, 2008, the District had the following investments and maturities:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturities One to Two Years</u> | <u>Maturities Two to Three Years</u> | <u>Maturities Three to Four Years</u> | <u>Maturities Four to Five Years</u> |
|--|--------------------|--|--|---|--|
| Federal Farm Credit Bank Notes | \$250,000 | \$250,000 | | | |
| Federal Home Loan Bank Notes | 850,644 | 350,644 | \$250,000 | \$250,000 | |
| Federal Home Loan Mortgage Corporation Notes | 807,708 | 300,000 | | | \$507,708 |
| Federal National Mortgage Association | 250,167 | | 250,167 | | |
| Total Investments | <u>\$2,158,519</u> | <u>\$900,644</u> | <u>\$500,167</u> | <u>\$250,000</u> | <u>\$507,708</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

Credit Risk - The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The District has no investment policy that would further limit its investment choices.

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

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25 percent of the interim monies available for investment at any one time. The District's investments in Federal Farm Credit Bank Notes, the Federal Home Loan Bank Notes, the Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association represent 12 percent, 39 percent, 37 percent and 12 percent, respectively, of the District's total investments.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2008 represent the collection of calendar year 2007 taxes. Real property taxes for 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2008 were levied after April 1, 2007, on the assessed values as of December 31, 2006, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes for 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Greene County. The county auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2008 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2008, was \$82,510 in the General Fund, \$37,955 in the Emergency Levy Special Revenue Fund, and \$12,436 in the Non-major Governmental Funds. The amount available as an advance at June 30, 2007, was \$135,056 in the General Fund, \$60,042 in the Emergency Levy Special Revenue Fund, and \$20,882 in the Non-major Governmental Funds.

The assessed values upon which the fiscal year 2008 taxes were collected are:

| | 2007 Second-Half Collections | | 2008 First-Half Collections | |
|--|-------------------------------------|----------------|------------------------------------|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$98,865,310 | 85% | \$99,965,160 | 86% |
| Industrial/Commercial | 11,939,020 | 10% | 11,539,850 | 10% |
| Public Utility | 1,834,870 | 2% | 1,055,990 | 1% |
| Tangible Personal | 3,853,690 | 3% | 3,091,316 | 3% |
| Total Assessed Value | <u>\$116,492,890</u> | <u>100%</u> | <u>\$115,652,316</u> | <u>100%</u> |
| Tax rate per \$1,000 of assessed valuation | \$68.10 | | \$68.15 | |

6. INCOME TAX

The District levies a voted tax of one percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2005, and is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenues in the amount of \$1,367,364 were credited to the General Fund during fiscal year 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2008, consisted of property, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

| | Amount |
|-------------------------------------|---------------|
| Governmental Activities | |
| Title VI-B | \$8,959 |
| Title I | 16,460 |
| Total Intergovernmental Receivables | \$25,419 |

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

| | Balance at 6/30/07 | Additions | Reductions | Balance at 6/30/08 |
|---|-------------------------------|------------------|-------------------|-------------------------------|
| Governmental Activities | | | | |
| Nondepreciable Capital Assets | | | | |
| Land | \$1,238,340 | | | \$1,238,340 |
| Construction in Progress | 24,918 | | | 24,918 |
| Total Nondepreciable Capital Assets | 1,263,258 | | | 1,263,258 |
| Depreciable Capital Assets | | | | |
| Land Improvements | 467,477 | | | 467,477 |
| Buildings and Building Improvements | 6,128,748 | | | 6,128,748 |
| Furniture, Fixtures, and Equipment | 392,907 | \$25,907 | \$12,490 | 406,324 |
| Vehicles | 416,696 | 10,690 | 26,450 | 400,936 |
| Books | 233,060 | 33,063 | | 266,123 |
| Total Depreciable Capital Assets | 7,638,888 | 69,660 | 38,940 | 7,669,608 |
| Less Accumulated Depreciation | | | | |
| Land Improvements | 194,569 | 19,147 | | 213,716 |
| Buildings and Building Improvements | 2,048,525 | 174,947 | | 2,223,472 |
| Furniture, Fixtures, and Equipment | 175,789 | 20,048 | | 195,837 |
| Vehicles | 300,632 | 35,150 | | 335,782 |
| Books | 233,060 | 1,653 | | 234,713 |
| Total Accumulated Depreciation | 2,952,575 | 250,945 | | 3,203,520 |
| Depreciable Capital Assets, Net | 4,686,313 | (181,285) | 38,940 | 4,466,088 |
| Governmental Activities Capital Assets, Net | \$5,949,571 | (\$181,285) | \$38,940 | \$5,729,346 |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

8. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|-------------------------|
| Instruction: | |
| Regular | \$192,208 |
| Support Services: | |
| Instructional Staff | 4,637 |
| Administration | 1,535 |
| Business | 2,802 |
| Operation and Maintenance | 535 |
| Pupil Transportation | 34,876 |
| Non-Instruction | 2,993 |
| Extracurricular | 11,359 |
| Total Depreciation Expense | <u><u>\$250,945</u></u> |

9. RISK MANAGEMENT

A. Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Hylant Administrative Services LLC for general liability insurance with a \$1,000,000 single occurrence limit and a \$3,000,000 general aggregate and \$1,000,000 products completed operations aggregate limit. Property is protected by Indiana Insurance Company with a \$16,129,549 aggregate limit and holds a \$1,000 deductible.

The District's vehicles are covered under a business policy with Indiana Insurance Company, which carries a \$2,000,000 limit on any accident with a \$100 comp/\$250 collision deductible.

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

B. Workers' Compensation

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

9. RISK MANAGEMENT (Continued)

C. Medical Benefits

For fiscal year 2008, the District participated in the Southwestern Ohio Educational Purchasing Council Medical Benefits Plan (MBP), an insurance purchasing pool (Note 17). The intent of the MBP is to achieve the benefit of reduced health insurance premiums for the District by virtue of its grouping and representation with other participants in the MBP. The health insurance experience of the participating school districts is calculated and a premium rate is applied to all school districts in the MBP. Each participant pays its health insurance premiums to the EPC. Participation in the MBP is limited to school districts that can meet the MBP's selection criteria.

10. DEFINED PENSION BENEFIT PLANS

A. School Employee Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer 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, by calling (800) 878-5853, or by visiting the SERS website at www.ohsers.org, under Forms and Publications.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$108,734, \$121,663, and \$113,548, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

10. DEFINED PENSION BENEFIT 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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers 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 District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$478,344, \$480,641, and \$469,016, respectively; 81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

11. POSTEMPLOYMENT BENEFITS

A. School Employee Retirement System

Plan Description – The District participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. POSTEMPLOYMENT BENEFITS (Continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$49,619, \$48,067, and \$44,861, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$7,835, \$7,590, and \$7,083, respectively; 51 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. State Teachers Retirement System

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$36,081, \$36,972, and \$36,078, respectively; 81 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

12. COMPENSATED ABSENCES

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn 10 to 25 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment up to an accumulation of 25 days. For the High School Principal the vacation accumulation for the purposes of severance shall be paid out to a maximum accumulation of a two (2) year period. For the Treasurer there is no cap on the accumulation of vacation time and is paid for all accumulated time upon retirement or resignation. For the Superintendent there is a cap of 22 vacation days total accumulation and he is paid for all accumulated time upon retirement for resignation. Only 260 day employees earn vacation time.

Administrators, policy, classified and certificated employees earn sick leave at the rate of one and one-fourth days per month. Classified employees may accumulate sick leave up to a maximum of 260 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 65 days. For teachers and the superintendent, sick leave may be accumulated up to a maximum of 300 days and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 75 days.

For all other administrators, there is no cap on the accumulation of sick leave and upon retirement payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 75 days

Teachers, administrators, and classified employees earn three personal leave days per year. Teachers and non-teaching bargaining unit members may accumulate unused personal leave for the purpose of severance pay only. Upon resignation (after 4 years of employment) or retirement, teaching bargaining unit members receive \$100 and non-teaching bargaining unit members receive \$70 for each accumulated day of personal leave upon retirement.

B. Insurance Benefits

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. LONG-TERM OBLIGATIONS

During the year ended June 30, 2008, the following changes occurred in obligations reported in the Government - Wide Financial Statements:

| | <u>Balance at 6/30/07</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance at 6/30/08</u> | <u>Due Within One Year</u> |
|---|-------------------------------|------------------|-------------------|-------------------------------|--------------------------------|
| Permanent Improvement Bonds 2002 Variable Rate | \$3,930,000 | | \$130,000 | \$3,800,000 | \$140,000 |
| Capital Leases | 58,000 | | 31,000 | 27,000 | 19,000 |
| Compensated Absences Payable | 246,047 | 261,192 | 246,047 | 261,192 | |
| Total | <u>\$4,234,047</u> | <u>\$261,192</u> | <u>\$407,047</u> | <u>\$4,088,192</u> | <u>\$159,000</u> |

A. Permanent Improvement Bonds

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

Principal and interest requirements to retire the permanent improvement bonds outstanding at June 30, 2008, are as follows:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------------------|--------------------|--------------------|--------------------|
| 2009 | \$140,000 | \$168,823 | \$308,823 |
| 2010 | 145,000 | 163,883 | 308,883 |
| 2011 | 150,000 | 158,373 | 308,373 |
| 2012 | 155,000 | 152,461 | 307,461 |
| 2013 | 165,000 | 146,100 | 311,100 |
| 2014-2018 | 620,000 | 934,501 | 1,554,501 |
| 2019-2023 | 1,070,000 | 473,101 | 1,543,101 |
| 2024-2028 | 1,355,000 | 176,375 | 1,531,375 |
| Total | <u>\$3,800,000</u> | <u>\$2,373,617</u> | <u>\$6,173,617</u> |

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

The District's voted legal debt margin was \$6,608,708 with an unvoted debt margin of \$115,652 at June 30, 2008.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. CAPITALIZED LEASES – LESSEE DISCLOSURE

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

The capital assets consisting of equipment, furniture and fixtures, and land improvements have been capitalized in the statement of net assets in the amount of \$357,771. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the statement of net assets. Principal payments in fiscal year 2008 totaled \$31,000 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, 2008.

| <u>Year Ending June 30, 2008</u> | <u>Amount</u> |
|--|-----------------|
| 2009 | \$20,451 |
| 2010 | 8,642 |
| Total Future Minimum Lease Payments | 29,093 |
| Less: Amount Representing Interest | (2,093) |
| Present Value of Future Minimum Lease Payments | <u>\$27,000</u> |

15. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

| | <u>Textbooks</u> | <u>Capital Acquisition</u> |
|--|--------------------|--------------------------------|
| Set-aside Cash Balance as of June 30, 2007 | (\$383,967) | \$0 |
| Current Year Set-aside Requirement | 98,131 | 98,131 |
| Qualifying Disbursements | (118,684) | (257,653) |
| Total | <u>(\$404,520)</u> | <u>(\$159,522)</u> |
| Cash Balance Carried Forward to FY 2009 | <u>(\$404,520)</u> | <u>\$0</u> |

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association (MVECA)

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

The governing board of MVECA consists of five Superintendents and two Treasurers of member school districts, with four of the five Superintendents and both Treasurers elected by a majority vote of all member school districts except the Greene County Career Center. The fifth Superintendent is from the Greene County Career Center. The District paid MVECA \$15,117 for services provided during the year. Financial information can be obtained from Norma Stewart, who serves as Director, at 330 East Enon Road, Yellow Springs, Ohio 45387.

B. Southwestern Ohio Educational Purchasing Council (SOEPC)

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

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the General Fund and Federal Title Funds. During fiscal year 2008, the Yellow Springs Exempted Village School District paid \$1,727 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, 303 Corporate Center Drive, Vandalia, Ohio 45377.

C. Southwestern Ohio Instructional Technology Association (SOITA)

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

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

16. JOINTLY GOVERNED ORGANIZATIONS (Continued)

All member districts are obligated to pay all fees, charges, or other assessments as established by the SOITA. Upon dissolution, the net assets shall be distributed to the federal government, or to a state or local government, for a public purpose. Payments to SOITA are made from the General Fund. During fiscal year 2008, the Yellow Springs Exempted Village School District paid \$621 to SOITA. To obtain financial information, write to the Southwestern Ohio Instructional Technology Association, Dave Gibson, who serves as Director, at 150 East Sixth Street, Franklin, Ohio 45005.

D. Greene County Career Center

The Greene County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the seven participating school districts' elected Boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Greene County Career Center, Judy Geer, 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 Joni Shoemaker, at the Montgomery County Educational Service Center, 200 S Keowee Street, Dayton, Ohio 45402.

17. GROUP PURCHASING POOLS

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

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

B. Southwestern Ohio Educational Purchasing Council Medical Benefits Plan

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

B. Litigation

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

19. INTERFUND TRANSACTIONS

During the year ended June 30, 2008 the General Fund transferred \$35,100 to Other Non-major Governmental Funds. These transfers were made to move unrestricted balances to support programs and projects accounted for in other funds.

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

20. CHANGE IN ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2008, the District has implemented GASB Statements No. 45, "Accounting and Financial Reporting for Post Employment Benefits Other Than Pensions".

GASB Statement No. 45 establishes the reporting disclosure requirements for governments related to benefits offered to employments after employment ends other than pensions. For the District, the changes contained within this Statement only affected the required disclosures related to the health care benefits offered to retirees through the multi-employer, cost-sharing state retirement systems. These disclosures are contained in Note 11 to the basic financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Yellow Springs Exempted Village School District (the District), as of and for the years ended June 30, 2008 and 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 31, 2008. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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springfield, oh 45503

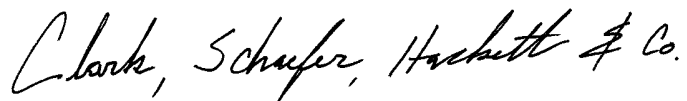
www.cshco.com
p. 937.399.2000
f. 937.399.5433

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated December 31, 2008.

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



Springfield, Ohio
December 31, 2008



Mary Taylor, CPA
Auditor of State

YELLOW SPRINGS EXEMPTED VILLAGE SCHOOL DISTRICT
GREENE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 3, 2009