



Dave Yost • Auditor of State

VILLAGE OF YELLOW SPRINGS
GREENE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Yellow Springs
Greene County
100 Dayton Street
Yellow Springs, Ohio 45387

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Yellow Springs, Greene County, (the Village) as of and for the year ended December 31, 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Yellow Springs, Greene County as of December 31, 2012 and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

Emphasis of Matter

For the year ended December 31, 2012, the Village revised its financial presentation from that comparable to the requirements of Government Auditing Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*, to a format the Auditor of State prescribes or permits.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

September 30, 2013

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Property and Other Local Taxes	\$1,012,363	\$26,285			\$1,038,648
Municipal Income Tax	1,158,919				1,158,919
Intergovernmental	352,804	177,505			530,309
Charges for Services	76,413				76,413
Fines, Licenses and Permits	43,259	69,868			113,127
Earnings on Investments	1,193	67			1,260
Miscellaneous	195,397	32,514		\$306	228,217
Total Cash Receipts	<u>2,840,348</u>	<u>306,239</u>		<u>306</u>	<u>3,146,893</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	1,115,056	171,728			1,286,784
Public Health Services	9,123	6,353			15,476
Leisure Time Activities	343,109			64,929	408,038
Community Environment	246,412				246,412
Transportation		362,451			362,451
General Government	521,398	3,975		69,115	594,488
Capital Outlay	41,566	181,412		279,581	502,559
Debt Service:					
Principal Retirement			\$100,000		100,000
Interest and Fiscal Charges			27,748		27,748
Total Cash Disbursements	<u>2,276,664</u>	<u>725,919</u>	<u>127,748</u>	<u>413,625</u>	<u>3,543,956</u>
Excess of Receipts Over (Under) Disbursements	<u>563,684</u>	<u>(419,680)</u>	<u>(127,748)</u>	<u>(413,319)</u>	<u>(397,063)</u>
Other Financing Receipts (Disbursements):					
Transfers In		39,900	127,749	141,500	309,149
Transfers Out	(278,712)				(278,712)
Total Other Financing Receipts (Disbursements)	<u>(278,712)</u>	<u>39,900</u>	<u>127,749</u>	<u>141,500</u>	<u>30,437</u>
Net Change in Fund Cash Balances	284,972	(379,780)	1	(271,819)	(366,626)
Fund Cash Balances, January 1	<u>2,279,740</u>	<u>718,319</u>		<u>865,854</u>	<u>3,863,913</u>
Fund Cash Balances, December 31:					
Restricted		328,520	1	48,976	377,497
Committed		10,019			10,019
Assigned	517,582			664,023	1,181,605
Unassigned (Deficit)	2,047,130			(118,964)	1,928,166
Fund Cash Balances, December 31	<u>\$2,564,712</u>	<u>\$338,539</u>	<u>\$1</u>	<u>\$594,035</u>	<u>\$3,497,287</u>

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

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Proprietary Fund</u>	<u>Fiduciary Fund</u>	<u>Totals</u>
	<u>Enterprise</u>	<u>Agency</u>	<u>(Memorandum Only)</u>
Operating Cash Receipts:			
Charges for Services	\$4,698,236	\$32,200	\$4,730,436
Fines, Fees & Forfeitures		55,164	55,164
Miscellaneous	51,281		51,281
Total Operating Cash Receipts	<u>4,749,517</u>	<u>87,364</u>	<u>4,836,881</u>
Operating Cash Disbursements:			
Personal Services	1,103,838		1,103,838
Travel / Training	7,375		7,375
Contractual Services	3,086,616		3,086,616
Supplies and Materials	87,738	1,427	89,165
Capital Outlay	418,473		418,473
Total Operating Cash Disbursements	<u>4,704,040</u>	<u>1,427</u>	<u>4,705,467</u>
Operating Income	<u>45,477</u>	<u>85,937</u>	<u>131,414</u>
Non-Operating (Disbursements):			
Principal Retirement	(35,239)		(35,239)
Interest and Other Fiscal Charges	(18,968)		(18,968)
Distribution of Fines and Fees		(55,164)	(55,164)
Other Financing Uses	(166,267)	(31,850)	(198,117)
Total Non-Operating (Disbursements)	<u>(220,474)</u>	<u>(87,014)</u>	<u>(307,488)</u>
(Loss) before Transfers	(174,997)	(1,077)	(176,074)
Transfers In		1,500	1,500
Transfers Out	(31,937)		(31,937)
Net Change in Fund Cash Balances	(206,934)	423	(206,511)
Fund Cash Balances, January 1	<u>4,187,655</u>	<u>50,799</u>	<u>4,238,454</u>
Fund Cash Balances, December 31	<u>\$3,980,721</u>	<u>\$51,222</u>	<u>\$4,031,943</u>

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

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Yellow Springs, Greene County, (the Village) as a body corporate and politic. The Village adopted a home rule municipal charter in 1950. A publicly-elected five-member Council directs the Village. The council appoints the Village manager who is the chief executive officer and the head of the administrative agencies of the Village. The Village manager appoints all department heads and employees. The Village provides water, sewer, solid waste and electric utilities, park operations, and police services. The Village contracts with Miami Township to receive fire protection and emergency medical services

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Bond Retirement Fund – This fund is used to account for resources received on behalf of repaying the Village’s outstanding Municipal Building Bond.

4. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project funds:

Parks and Recreation Improvement Fund – The fund is primarily used for construction and repair and maintenance expenses pertaining to the Village parks and recreation facilities including the swimming pool.

Facilities Improvement Fund – This fund is used for repair and maintenance of the Bryan Center, Library, Train Depot and Public Works Facility.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Electric Fund – This fund receives charges for services from residents to cover the cost of distributing electricity throughout the Village.

Water Fund - This fund receives charges for services from residents to cover the cost of treating and distributing water throughout the Village.

Sewer Fund - This fund receives charges for services from residents to cover costs of collecting and treating sewage throughout the Village.

Solid Waste Fund – This fund receives charges for services from residents to cover the cost of collecting solid waste throughout the Village.

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village’s own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village’s agency funds accounts for the Mayor’s Court and guaranteed deposits.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the legal level of control and appropriations may not exceed estimated resources. The appropriation ordinance controls the spending authority at the personal services and other categories within each department of each fund. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

VILLAGE OF YELLOW SPRINGS
GREENE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

Demand deposits	\$5,939,305
Investments:	
STAR Ohio	<u>1,589,925</u>
Total investments	<u>1,589,925</u>
Total deposits and investments	<u>\$7,529,230</u>

A. Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

B. Investments:

Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2012 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,315,722	\$2,725,445	\$409,723
Special Revenue	655,540	680,942	25,402
Debt Service	127,748	127,748	
Capital Projects	354,208	141,806	(212,402)
Enterprise	4,733,188	4,749,517	16,329
Total	\$8,186,406	\$8,425,458	\$239,052

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,716,026	\$2,387,634	\$ 328,392
Special Revenue	1,614,739	1,255,740	358,999
Debt Service	127,748	127,748	
Capital Projects	663,439	616,373	47,066
Enterprise	6,278,243	5,545,131	733,112
Total	\$11,400,195	\$9,932,626	\$1,467,569

On the financial statements, the General Fund receipts and disbursements include certain Special Revenue Funds activities in accordance with GASB 54. These Special Revenue Funds are not included in the General Fund activity presented above.

Contrary to Ohio law, at December 31, 2012 the USACE Grant Fund and the OPWC Round 25 Grant Fund had cash deficit balances of \$10,422 and \$108,542, respectively.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5% percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. The Regional Income Tax Agency (R.I.T.A.) collected and distributed income taxes for the Village.

6. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
General Obligation Bonds	\$ 455,000	2.6%
Ohio Water Development Authority Loans	1,045,843	2.75 to 6.16%
Total	\$1,500,843	

In 2002, the Village issued \$1.4 million in General Obligation Bonds to finance the renovation of the Village Municipal Building. These bonds mature in 2016, carry an interest rate of 2.6 percent, and are direct obligations of the Village for which its full faith, credit and resources are pledged. Repayment of these bonds is made from the Bond Retirement fund from transfers made from the General Fund, Parks and Recreation Fund and the Electric Fund.

At December 31, the Village had 4 loans outstanding with the Ohio Water Development Authority (OWDA). All of these loans were used to finance improvements or expansion of the Village's Water and Sewer System's infrastructure.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	OWDA Loans	General Obligation Bonds
2013	\$42,190	\$127,947
2014	21,506	127,803
2015	21,506	127,303
2016	10,753	131,438
Total	\$95,955	\$514,491

The Village's 2009 and 2011 OWDA Loans have been approved for a total of not to exceed \$1,661,470 and \$246,600, respectively as of fiscal year ended December 31, 2012 the Village has drawn \$1,642,296 and \$133,225 respectively. Amortization schedules are not available at this time and are not anticipated being available until the project has been completed and the total amount of the loan is finalized. As such the outstanding principal from the loans at fiscal year-end 2012 is not included in the debt service schedule.

Conduit Debt

In 2002, the Village issued Health Care Facilities Revenue Refunding and Improvement Bonds for improvements and acquisition of hospital facilities used by a private healthcare association. These bonds do not constitute general obligations, debtor bonded indebtedness or a pledge of the faith and credit of the Village. At December 31, 2012 the total of these bonds outstanding was approximately \$3.4 million.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

7. RETIREMENT SYSTEMS

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012, OP&F participants contributed 10% of their wages. For 2012, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

9. JOINT VENTURES WITH EQUITY INTEREST

The Village of Yellow Springs is a Non-Financing Participant and an Owner Participant with an ownership percentage of 1.05% and shares participation with thirty-six other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement, the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by AMP and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. The Village's net investment in OMEGA JV2 was \$274,924 at December 31, 2012. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

10. SEGMENT INFORMATION

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) Joint Ventures as described in Note 9. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

Total Assets	\$2,932,120
Total Liabilities	113,750
Condensed Operating Information:	
Operating Receipts	
Charges for Services	3,071,293
Other Operating Receipts	35,715
Total Operating Receipts	<u>3,107,008</u>
Operating Expenses	<u>3,242,730</u>
Operating (Loss)	(135,722)
Non-operating (Disbursements)	
Other Non-operating (Disbursements)	(140,009)
Transfers	<u>(31,937)</u>
Change in Fund Cash Balance	(307,668)
Beginning Fund Cash Balance	<u>3,239,788</u>
Ending Fund Cash Balance	<u>\$2,932,120</u>
Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	(\$ 135,722)
Noncapital Financing Activities	
Principal Payments on Noncapital Debt	(25,000)
Interest Payments on Noncapital Debt	(6,937)
Other Noncapital Financing Activities	<u>(140,009)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(171,946)
Net (Decrease)	(307,668)
Beginning Fund Cash Balance	<u>3,239,788</u>
Ending Fund Cash Balance	<u>\$2,932,120</u>

11. CONTINGENT LIABILITIES

For the period January 1, 2012 to December 31, 2012 the Village received state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowance, if any would be immaterial.

**VILLAGE OF YELLOW SPRINGS
GREENE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012
(Continued)**

12. SUBSEQUENT EVENTS

On March 18, 2013, Village Council passed Ordinance 2013-06 and authorized the issuance of \$275,000 in manuscript debt, which is held by the Village. The manuscript debt shall mature in equal annual installments of \$68,750 on September 1 of each year from 2013 to 2016.

13. COMPLIANCE AND ACCOUNTABILITY

The Village did not comply with various laws, including posting receipts to the proper fund.

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Yellow Springs
Greene County
100 Dayton Street
Yellow Springs, Ohio 45387

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Yellow Springs, Greene County, (the Village) as of and for the year ended December 31, 2012, and the related notes to the financial statements and have issued our report thereon dated September 30, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted for the year ended December 31, 2012, the Village revised its financial presentation from that comparable to the requirements of Government Auditing Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for States and Local Governments*, to a format the Auditor of State prescribes or permits.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

September 30, 2013

VILLAGE OF YELLOW SPRINGS
GREENE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2012

FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

FINDING NUMBER 2012-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code Section 5705.10 (D), states, in part, that all revenue derived from a source other than the general property tax, and which the law prescribes shall be used for a particular purpose, is to be paid into a special fund for such purpose.

Additionally, **Ohio Rev. Code Section 5735.28** states that wherever a municipal corporation is on the line of the state highway system as designated by the director of transportation as an extension or continuance of the state highway system, seven and one-half per cent of the amount paid to any municipal corporation pursuant to sections 4501.04, 5735.23, and 5735.27 of the Revised Code shall be used by it only to construct, reconstruct, repave, widen, maintain, and repair such highways, to purchase, erect, and maintain traffic lights and signals, and to erect and maintain street and traffic signs and markers on such highways, or to pay principal, interest and charges on bonds and other obligations issued pursuant to Chapter 133 of the Revised Code or incurred pursuant to section 5531.09 of the Revised Code for such purposes.

The following was noted in 2012;

- The Village posted the May 2012 permissive motor vehicle tax receipt to the Street Construction, Maintenance, and Repair Fund (SCM&R) instead of the Motor Vehicle Permissive Fund. This resulted in revenues in the Motor Vehicle Permissive Fund being understated by \$2,156 and overstated in the SCM&R fund by the same amount. The understatement was 9.6% of Motor Vehicle Permissive Fund revenues.
- The Village did not properly allocate gas and motor vehicle tax receipts between the State Highway Fund and the SCM&R Fund. The Highway fund is to receive seven and one-half percent and the remaining amount of ninety-two and one-half percent is to be received by the SCM&R Fund. This resulted in revenues in the SCM&R Fund being understated by \$26,671 and overstated in the State Highway Fund by the same amount. This is an understatement of 22.5% of SCM&R revenues and an overstatement of 71.67% of State Highway Fund revenues.

Adjustments to correct the errors above are reflected in the financial statements. The adjustments have been posted to the Village's accounting system.

Due care should be used when posting revenues to the accounting system. Failure to post revenues to the correct funds could result in incorrect fund balances being maintained and expenditures made from funds which do not permit the expenditures purpose.

Officials' Response

The Village agreed with the adjustments proposed by the auditors and necessary adjustments were made to the accounting records to reflect the noted adjustments during 2013. It appears these "miss-postings" were an oversight when the receipt was recorded.

FINDING NUMBER 2012-002

NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are : "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in the sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for 23% of expenditures examined.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

Officials' Response

The Village attempts to ensure proper certification of all obligations and will continue to strive to improve the process in the future.

FINDING NUMBER 2012-003

NONCOMPLIANCE

Ohio Revised Code Section 5705.10(H), states that monies paid into any fund shall be used only for the purpose such fund is established. The existence of a deficit balance in any fund indicates that money from another fund or funds have been used to pay obligations of the fund or funds carrying the deficit balance.

Negative cash fund balances at December 31, 2012 were as follows:

USACE Grant Fund (\$10,422)
OPWC Round 25 Grant Fund (\$108,542)

The Village should implement procedures to monitor fund cash balances to prevent to unallowable use of funds. When expenditures are anticipated to temporarily exceed available resources, the Village should consider an advance from the General Fund, or modify the effecting funds' financial activities.

Officials' Response

The two deficit funds noted during the audit relate to the grant funds where the Village must expend the fund prior to seeking reimbursement, therefore it is not uncommon for deficit cash balances occurring in the funds accounting.

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Dave Yost • Auditor of State

VILLAGE OF YELLOW SPRINGS

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
NOVEMBER 7, 2013**