

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

***Financial Statements***  
**(Audited)**

For the Year Ended  
December 31, 2017





# Dave Yost • Auditor of State

Members of Council and Mayor  
Village of Yellow Springs  
100 Dayton Street  
Yellow Springs, Ohio 45387

We have reviewed the *Independent Auditor's Report* of the Village of Yellow Springs, Greene County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 Village of Yellow Springs is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 19, 2018

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**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

TABLE OF CONTENTS

|   | <u>PAGE</u> |
|---|-------------|
| Independent Auditor's Report.....   | 1 - 2       |
| Combined Statement of Receipts, Disbursements, and Changes in Fund<br>Balances (Cash Basis) - All Governmental Fund Types -<br>For the Year Ended December 31, 2017.....              | 3           |
| Combined Statement of Receipts, Disbursements, and Changes in Fund<br>Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types -<br>For the Year Ended December 31, 2017..... | 4           |
| Notes to the Financial Statements.....  | 5 - 15      |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....               | 16 - 17     |
| Schedule of Findings and Responses.....   | 18 - 19     |
| Status of Prior Audit Findings .....  | 20          |

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**Independent Auditor's Report**

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

To the Members of Council and Mayor:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Yellow Springs, Greene County, Ohio, as of and for the year ended December 31, 2017.

***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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly 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 of Yellow Springs' 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 of Yellow Springs' internal control. Accordingly, we express no such 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 opinions.

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

As described in Note 1 of the financial statements, the Village of Yellow Springs 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village of Yellow Springs does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

***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 of Yellow Springs as of December 31, 2017, and the respective 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 cash balances, receipts and disbursements by fund type, and related notes of the Village of Yellow Springs, Greene County, Ohio as of December 31, 2017, 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(D) permit, described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2018, on our consideration of the Village of Yellow Springs' 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 of Yellow Springs' internal control over financial reporting and compliance.



Julian & Grube, Inc.  
May 15, 2018



**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|   | General             | Special<br>Revenue | Debt<br>Service  | Capital<br>Projects | Total<br>Governmental<br>Funds |
|---|---------------------|--------------------|------------------|---------------------|--------------------------------|
| <b>Cash Receipts:</b>   |                     |                    |                  |                     |                                |
| Property and other local taxes . . . . .                                | \$ 1,032,073        | \$ 26,675          | \$ -             | \$ -                | \$ 1,058,748                   |
| Municipal income taxes . . . . .  | 1,836,719           | -                  | -                | -                   | 1,836,719                      |
| Intergovernmental . . . . .   | 243,600             | 200,442            | -                | -                   | 444,042                        |
| Charges for services . . . . .  | 68,551              | -                  | -                | -                   | 68,551                         |
| Fines, licenses and permits . . . . .                                   | 21,981              | 3,904              | -                | -                   | 25,885                         |
| Investment earnings . . . . .   | 31,657              | 2,753              | -                | -                   | 34,410                         |
| Miscellaneous . . . . .   | 170,664             | 5,131              | -                | -                   | 175,795                        |
| <b>Total cash receipts . . . . .</b>                                    | <b>3,405,245</b>    | <b>238,905</b>     | <b>-</b>         | <b>-</b>            | <b>3,644,150</b>               |
| <b>Cash Disbursements:</b>  |                     |                    |                  |                     |                                |
| Current:  |                     |                    |                  |                     |                                |
| General government . . . . .  | 788,497             | 2,191              | -                | 38,454              | 829,142                        |
| Security of persons and property . . . . .                              | 1,298,501           | 113,972            | -                | -                   | 1,412,473                      |
| Public health and welfare . . . . .                                     | 11,337              | -                  | -                | -                   | 11,337                         |
| Leisure time activities . . . . .                                       | 397,355             | -                  | -                | 388                 | 397,743                        |
| Community environment . . . . .   | 89,677              | -                  | -                | -                   | 89,677                         |
| Transportation . . . . .  | -                   | 457,821            | -                | -                   | 457,821                        |
| Capital outlay . . . . .  | 69,960              | 17,762             | -                | 269,833             | 357,555                        |
| Principal retirement . . . . .  | -                   | 11,213             | -                | -                   | 11,213                         |
| Interest and fiscal charges . . . . .                                   | 2,096               | 1,532              | -                | -                   | 3,628                          |
| <b>Total cash disbursements . . . . .</b>                               | <b>2,657,423</b>    | <b>604,491</b>     | <b>-</b>         | <b>308,675</b>      | <b>3,570,589</b>               |
| Excess (deficiency) of receipts over (under)<br>disbursements . . . . . | 747,822             | (365,586)          | -                | (308,675)           | 73,561                         |
| <b>Other financing sources (uses):</b>                                  |                     |                    |                  |                     |                                |
| Transfers in . . . . .  | 272,036             | 352,273            | -                | 475,000             | 1,099,309                      |
| Transfers (out) . . . . .   | (1,099,309)         | -                  | -                | -                   | (1,099,309)                    |
| Sale of Capital Assets . . . . .  | 204,753             | -                  | -                | -                   | 204,753                        |
| <b>Total other financing sources (uses) . . . . .</b>                   | <b>(622,520)</b>    | <b>352,273</b>     | <b>-</b>         | <b>475,000</b>      | <b>204,753</b>                 |
| Net change in fund balances . . . . .                                   | 125,302             | (13,313)           | -                | 166,325             | 278,314                        |
| <b>Fund cash balances, January 1 . . . . .</b>                          | <b>1,801,371</b>    | <b>660,111</b>     | <b>15,686</b>    | <b>669,624</b>      | <b>3,146,792</b>               |
| <b>Fund cash balances, December 31</b>                                  |                     |                    |                  |                     |                                |
| Restricted . . . . .  | -                   | 632,802            | 15,686           | 21,168              | 669,656                        |
| Committed . . . . .   | -                   | 13,996             | -                | -                   | 13,996                         |
| Assigned . . . . .  | 366,629             | -                  | -                | 814,781             | 1,181,410                      |
| Unassigned . . . . .  | 1,560,044           | -                  | -                | -                   | 1,560,044                      |
| <b>Fund cash balances, December 31 . . . . .</b>                        | <b>\$ 1,926,673</b> | <b>\$ 646,798</b>  | <b>\$ 15,686</b> | <b>\$ 835,949</b>   | <b>\$ 3,425,106</b>            |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

COMBINED STATEMENT OF RECIEPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2017

|  | <u>Proprietary<br/>Fund<br/>Types</u> | <u>Fiduciary<br/>Fund<br/>Types</u> | <u>Totals</u>                |
|--|---------------------------------------|-------------------------------------|------------------------------|
|  | <u>Enterprise</u>                     | <u>Agency</u>                       | <u>(Memorandum<br/>Only)</u> |
| <b>Operating receipts:</b>   |                                       |                                     |                              |
| Charges for services . . . . .                                     | \$ 6,046,171                          | \$ -                                | \$ 6,046,171                 |
| Miscellaneous . . . . .  | 35,727                                | 5,223                               | 40,950                       |
| Total operating receipts . . . . .                                 | <u>6,081,898</u>                      | <u>5,223</u>                        | <u>6,087,121</u>             |
| <b>Operating disbursements</b>                                     |                                       |                                     |                              |
| Personal services . . . . .  | 1,159,450                             | -                                   | 1,159,450                    |
| Travel and training . . . . .                                      | 6,889                                 | -                                   | 6,889                        |
| Contractual services. . . . .                                      | 3,533,494                             | -                                   | 3,533,494                    |
| Materials and supplies. . . . .                                    | 95,145                                | -                                   | 95,145                       |
| Other . . . . .  | 17,005                                | 19,849                              | 36,854                       |
| Total operating disbursements. . . . .                             | <u>4,811,983</u>                      | <u>19,849</u>                       | <u>4,831,832</u>             |
| Operating income (loss) . . . . .                                  | <u>1,269,915</u>                      | <u>(14,626)</u>                     | <u>1,255,289</u>             |
| <b>Nonoperating receipts (disbursements):</b>                      |                                       |                                     |                              |
| Capital Outlay . . . . .   | (5,508,975)                           | -                                   | (5,508,975)                  |
| Principal retirement . . . . .                                     | (279,556)                             | -                                   | (279,556)                    |
| Interest and fiscal charges . . . . .                              | (136,975)                             | -                                   | (136,975)                    |
| Collections of fines and fees . . . . .                            | -                                     | 22,262                              | 22,262                       |
| Distribution of fines and fees . . . . .                           | -                                     | (22,262)                            | (22,262)                     |
| Loan proceeds. . . . .   | 5,449,817                             | -                                   | 5,449,817                    |
| Total nonoperating receipts (disbursements) . . . . .              | <u>(475,689)</u>                      | <u>-</u>                            | <u>(475,689)</u>             |
| Income (loss) before Capital Contributions and Transfers . . . . . | 794,226                               | (14,626)                            | 779,600                      |
| Capital Contributions . . . . .                                    | 117,638                               | -                                   | 117,638                      |
| Transfer in . . . . .  | 100,000                               | -                                   | 100,000                      |
| Transfer out . . . . .   | (100,000)                             | -                                   | (100,000)                    |
| Net change in fund cash balances. . . . .                          | 911,864                               | (14,626)                            | 897,238                      |
| <b>Fund cash balances, January 1 . . . . .</b>                     | <u>3,570,867</u>                      | <u>25,981</u>                       | <u>3,596,848</u>             |
| <b>Fund cash balances, December 31 . . . . .</b>                   | <u>\$ 4,482,731</u>                   | <u>\$ 11,355</u>                    | <u>\$ 4,494,086</u>          |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**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, Ohio, (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 the activities for which the Village is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). 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) at the share value reported by 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 accounts for and reports all financial resources not accounted for and reported 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:

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. Summary of Significant Accounting Policies - (Continued)**

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

**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 was 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 projects funds:

Parks and Recreation Improvement Fund - This 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.

Capital Equipment Fund - This fund is used to purchase capital equipment that would support any of the departments that do not have their own improvement funds.

Cable Television Capital Equipment Fund - This fund is used to purchase capital equipment related to cable television services.

UACE Grant Fund - This fund is used for capital outlay expenses related to the United States Army Corps of Engineers grant.

**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 the cost 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.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. Summary of Significant Accounting Policies - (Continued)**

Sewer Capital Improvement Fund - This fund is used for construction, repair and maintenance expenses associated with the sewer infrastructure system within the Village.

Electric Capital Improvement Fund - This fund is used for construction, repair and maintenance expenses associated with the electric infrastructure system within the Village.

Water Capital Improvement Fund - This fund is used for construction, repair and maintenance expenses associated with the water infrastructure system within 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 account for the Widows, Mayor's Court, unclaimed money and guaranteed deposits funds.

**E. Budgetary Process**

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

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. 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.

A summary of 2017 budgetary activity appears in Note 4.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. Summary of Significant Accounting Policies - (Continued)**

**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. Nonspendable**

The Village classifies assets as *nonspendable* 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.

**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, if any, are reduced first followed by assigned, if any, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**1. Summary of Significant Accounting Policies - (Continued)**

**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 at December 31, 2017 was as follows:

|                                |                            |
|--------------------------------|----------------------------|
| Demand deposits                | <u>\$ 4,164,423</u>        |
| STAR Ohio                      | 1,622,267                  |
| Certificates of deposit        | 1,240,000                  |
| Commercial paper               | <u>892,502</u>             |
| Total Investments              | <u>3,754,769</u>           |
| Total Deposits and Investments | <u><u>\$ 7,919,192</u></u> |

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

**Investments:** The Village's financial institution transfers securities to the Village's agent to collateralize repurchase agreements. The securities are not in the Village's name. Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**3. 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.

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, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**4. Budgetary Activity**

Budgetary activity for the year ending December 31, 2017 follows:

| 2017 Budgeted vs. Actual Receipts |                      |                    |          |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
| General                           | \$3,862,793          | \$3,882,034        | \$19,241 |
| Special Revenue                   | 574,867              | 591,178            | 16,311   |
| Capital Projects                  | 475,000              | 475,000            | 0        |
| Enterprise                        | 11,764,353           | 11,749,353         | (15,000) |
| Total                             | \$16,677,013         | \$16,697,565       | \$20,552 |

| 2017 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |             |
|---|----------------------------|---------------------------|-------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance    |
| General   | \$4,149,925                | \$3,756,732               | \$393,193   |
| Special Revenue                                       | 733,036                    | 604,491                   | 128,545     |
| Capital Projects                                      | 350,025                    | 308,675                   | 41,350      |
| Enterprise  | 11,737,032                 | 10,837,489                | 899,543     |
| Total   | \$16,970,018               | \$15,507,387              | \$1,462,631 |

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 included in the General Fund activity presented above.

**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.



**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**6. Debt**

Debt outstanding at December 31, 2017 was as follows:

|                      | Principal   | Interest Rate |
|----------------------|-------------|---------------|
| OWDA Loan 7279       | \$4,895,031 | 2.75%         |
| OWDA Loan 7136       | 466,461     | 3.15%         |
| OWDA Loan 7035       | 366,216     | 2.91%         |
| WPCLF/OWDA Loan 5326 | 633,623     | 2.75%         |
| WPCLF/OWDA Loan 5844 | 96,523      | 3.45%         |
| OPWC Loan CK12T      | 1,278,333   | 0.00%         |
| Total                | \$7,736,187 |               |

At December 31, 2017, the Village had 5 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. The OWDA loan 7279 is still open and amortization schedules are not yet available. In 2017, the Village also received a loan from the Ohio Public Works Commission for their Water Treatment Plant Replacement project.

Conduit Debt

In 2002, the Village issued Health Care Facility 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, 2017, the total of these bonds outstanding was approximately \$2,045,000.

**7. Leases**

The Village leases vehicles and equipment. The equipment leases are recorded as functional disbursements. There are a total of 4 vehicle and equipment leases. The leases are recorded in principal and interest and functional disbursements in the various funds including the Electric, Sewer, Street Maintenance/Repair and Parks and Recreation Funds. The Village disbursed \$120,562 in principal and interest to pay lease costs for the year ended December 31, 2017. Future lease payments are as follow

| Year ending<br>December 31:        | Leases:   |
|------------------------------------|-----------|
| 2018                               | 50,586    |
| 2019                               | 12,745    |
| 2020                               | 12,745    |
| 2021                               | 12,745    |
| Total minimum lease payments:      | \$ 88,821 |
| Less amount representing interest: | (4,861)   |
| Total                              | \$ 83,960 |

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**8. Retirement Systems**

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

The Ohio Revised Code also prescribes contribution rates. For 2017, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police member's wages. For 2017, OPERS members contributed 10 percent of their gross salaries and the Village contributed an amount equal to 14 percent of participants' gross salaries. The Village has paid all contributions through December 31, 2017.

**9. Postemployment Benefits**

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 1 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

**10. Risk Management**

The Village has obtained commercial insurance for the following risks:

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

**11. 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-five 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.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**11. Joint Ventures with Equity Interest - (Continued)**

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. As of December 31, 2016 (the latest information available), the outstanding debt was \$4,142,633. The Village's net investment in OMEGA JV2 was \$139,821 at December 31, 2016. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at [www.ohioauditor.gov](http://www.ohioauditor.gov)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 (the latest information available) are:

| Participants   | KW Amount | Percent  | Participants   | KW Amount | Percent |
|----------------|-----------|----------|----------------|-----------|---------|
| Hamilton       | 32,000    | 23.8662% | Grafton        | 1,056     | 0.79%   |
| Bowling Green  | 19,198    | 14.32%   | Brewster       | 1,000     | 0.75%   |
| Niles          | 15,400    | 11.49%   | Monroeville    | 764       | 0.57%   |
| Cuyahoga Falls | 10,000    | 7.46%    | Milan          | 737       | 0.55%   |
| Wadsworth      | 7,784     | 5.81%    | Oak Harbor     | 737       | 0.55%   |
| Painesville    | 7,000     | 5.22%    | Elmore         | 364       | 0.27%   |
| Dover          | 7,000     | 5.22%    | Jackson Center | 300       | 0.22%   |
| Galion         | 5,753     | 4.29%    | Napoleon       | 264       | 0.20%   |
| Amherst        | 5,000     | 3.73%    | Lodi           | 218       | 0.16%   |
| St. marys      | 4,000     | 2.98%    | Genoa          | 199       | 0.15%   |
| Montpelier     | 4,000     | 2.98%    | Pemberville    | 197       | 0.15%   |
| Shelby         | 2,536     | 1.89%    | Lucas          | 161       | 0.12%   |
| Versailles     | 1,660     | 1.24%    | South Vienna   | 123       | 0.09%   |
| Edgerton       | 1,460     | 1.09%    | Bradner        | 119       | 0.09%   |
| Yellow Springs | 1,408     | 1.05%    | Woodville      | 81        | 0.06%   |
| Oberlin        | 1,217     | 0.91%    | Haskins        | 73        | 0.05%   |
| Pioneer        | 1,158     | 0.86%    | Arcanum        | 44        | 0.03%   |
| Seville        | 1,066     | 0.80%    | Custar         | 4         | 0.00%   |
|                |           |          | Grand Total    | 134,081   | 100.00% |

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**12. Segment Information**

To provide electric service to the citizens, the Village is a member of Ohio Municipal Electric Generation Agency (OMEGA) joint venture as described in Note 11. 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 Operating Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Operating Fund is presented below:

|  | 2017        |
|--|-------------|
| Total Fund Cash Balance  | \$2,567,127 |
| <b>Condensed Operating Information:</b>                              |             |
| Operating Receipts   |             |
| Charges for Services   | 3,811,533   |
| Other Operating Receipts   | 30,814      |
| Total Operating Receipts   | 3,842,347   |
| Operating Expenses   |             |
| Personal Services  | 428,377     |
| Travel/Training  | 3,474       |
| Contractual Services   | 2,772,910   |
| Supplies and Materials   | 48,700      |
| Miscellaneous  | 9,253       |
| Total Operating Expenses   | 3,262,714   |
| Operating Income (Loss)  | 579,633     |
| Nonoperating Receipts (Disbursements)                                |             |
| Principal Payments   | (35,005)    |
| Interest Payments  | (2,835)     |
| Transfers-Out  | (50,000)    |
| Change in Fund Cash Balance  | 491,793     |
| Beginning Fund Cash Balance  | 2,075,334   |
| Ending Fund Cash Balance   | \$2,567,127 |
| <b>Condensed Cash Flows Information:</b>                             |             |
| Net Cash Provided (Used) by:   |             |
| Operating Activities   | \$579,633   |
| Noncapital Financing Activities                                      |             |
| Other Noncapital Financing Activities                                | (50,000)    |
| Capital and Related Financing Activities                             |             |
| Principal Payments on Capital and Related Debt                       | (35,005)    |
| Interest Payments on Capital and Related Debt                        | (2,835)     |
| Net Cash Provided (Used) by Capital and Related Financing Activities | (37,840)    |
| Net Increase (Decrease)  | 491,793     |
| Beginning Fund Cash Balance  | 2,075,334   |
| Ending Fund Cash Balance   | \$2,567,127 |

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

**13. Contingent Liabilities**

For the period January 1, 2017 to December 31, 2017, 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 disallowances, if any, would be immaterial.

**14. Compliance**

The Village did not record on-behalf payments, which is noncompliant with Ohio Revised Code Sections 5705.09(F), 5705.36(A)(3) and 5705.41(B).

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

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**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 Members of Council and Mayor:

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 cash balances, receipts, and disbursements by fund type of the Village of Yellow Springs, Greene County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 15, 2018, wherein we noted the Village of Yellow Springs followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

***Internal Control Over Financial Reporting***

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

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 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 of Yellow Springs' 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

**Members of Council and Mayor  
Village of Yellow Springs**

***Compliance and Other Matters***

As part of reasonably assuring whether the Village of Yellow Springs' 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-002.

***Village of Yellow Springs' Responses to Findings***

The Village of Yellow Springs' responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village of Yellow Springs' 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 of Yellow Springs' internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village of Yellow Springs' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
May 15, 2018



**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

| <b>FINDING RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |          |
|---|----------|
| Finding Number  | 2017-001 |

Material Weakness - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

In order to properly state financial statement amounts, multiple adjustments were made to the Village’s financial statements and related notes for the year ended December 31, 2017.

In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made. The present system lacks fiscal oversight and approvals and fails to meet the above expectations.

We recommend the Village consult with their auditors, an outside accounting/consulting firm, the Auditor of State and/or the Village Officer’s Handbook, to help ensure accurate financial reporting. The Village may want to consider additional financial statement reviews prior to submission of their annual reports on the HINKLE System.

*Client Response:* The Fiscal Officer will work to provide a sound fiscal environment for the Village and is in the process of evaluating other options to help improve the Village’s policies and procedures associated with financial statement presentation.

|                |          |
|----------------|----------|
| Finding Number | 2017-002 |
|----------------|----------|

Material Weakness/Noncompliance – OPWC On-Behalf Payments

Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. In general, when a local government enters into an oh-behalf program agreement with another local government of the Sate (or the federal government, if applicable,) whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf disbursements are made.

There are also several budgetary compliance requirements associated with the recording of such program receipts and disbursements:

- Ohio Rev. Code § 5705.09(F) requires the legislative authority to approve, by resolution, the grant or project application and must establish any fund(s) necessary to meet the grant or project objectives.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

| <b>FINDING RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – (Continued)</b> |                        |
|---|------------------------|
| Finding Number  | 2017-002 – (Continued) |

- Once the grant is awarded or the application is approved, the fiscal officer must obtain an official certificate of estimated resources or an amended certificate of estimated resources for all or part of the grant of project, based on the expected cash disbursements to be made on the local government behalf in the current fiscal year in accordance with Ohio Rev. Code 5705.36(A)(3).
- Ohio Revised Code 5705.41(B) prohibits a subdivision or taxing unit from making expenditures unless they have been properly appropriated; therefore, appropriations should be recorded in accordance with the terms and conditions of the grant or project agreement. Ohio Rev. Code 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure prior to recording the appropriations.

The Village was the beneficiary of Ohio Public Works Commission (OPWC) monies that were paid directly to the vendor in the amount of \$1,417,638. The Village did not record the receipt and expenditure transactions relating to these OPWC on-behalf payments. This adjustment was made to the Village’s financial statements and related notes for the year ended December 31, 2017, in relation to these on-behalf payments.

In general, when approved for funding by a State or Federal agency, the Village should follow the reporting requirements summarized by Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of certifying the available resources to the County Budget Commission and amend appropriations to account for the expected grant or project receipts and expenditures.

We recommend the Village consult with their auditors, an outside accounting/consulting firm, the Auditor of State and/or the Village Officer’s Handbook, to help ensure accurate financial reporting. The Village should review the Auditor of State Bulletins 2000-008 and 2002-004, as well as applicable budgetary requirements of certifying the available resources to the County Budget Commission and amend appropriations to account for the expected grant or project receipts and expenditures. We also recommend the Village consider establishing a policy/procedure for reviewing the State or Federal agency correspondence/documentation related to ongoing projects in which on-behalf type payment activity would be occurring (i.e., the OPWC website – Disbursement History Reports)

Client Response: The Fiscal Officer will work to provide a sound fiscal environment for the Village and is in the process of evaluating other options to help improve the Village’s policies and procedures associated with financial statement presentation.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2017**

| <b><u>Finding Number</u></b> | <b><u>Finding Summary</u></b>  | <b><u>Fully Corrected?</u></b> | <b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b> |
|------------------------------|--|--------------------------------|---|
| 2016-001                     | <u>Material Weakness: Financial Statement Presentation</u> - The presentation of materially correct financial statements and the related notes is the responsibility of management and is an important part of the Village's overall purpose. Financial reporting requires internal controls to help ensure the accuracy of the activity reported. Multiple adjustments were posted to the audited financial statements to make them materially correct. | No                             | Repeated as Finding 2017-001  |

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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  
JULY 3, 2018**