

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

Basic Financial Statements – Cash Basis

December 31, 2005

with

Independent Auditors' Report



Auditor of State Betty Montgomery

Village Council
Village of Yellow Springs
100 Dayton St.
Yellow Springs, OH 45387

We have reviewed the *Independent Auditor's Report* of the Village of Yellow Springs, Greene County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2005 through December 31, 2005. 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 "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

July 11, 2006

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

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Clark, Schaefer, Hackett & Co.
CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS
www.cshco.com

Independent Auditors' Report

Village Council
Village of Yellow Springs, Ohio
100 Dayton Street
Yellow Springs, Ohio 45387

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Village of Yellow Springs, Ohio (the Village) as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Village of Yellow Springs, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position, thereof and the budgetary comparisons for the General Fund and the Street Construction and Repair Fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2006, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio

May 16, 2006

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

The discussion and analysis of the Village of Yellow Springs' (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Key financial highlights for the year ended December 31, 2005 are as follows:

- Total net assets increased \$1,650 during 2005; this increase consisted of a decrease in Governmental Activities net assets of \$126,373 and an increase in the net assets of the Business-type Activities of \$128,023.
- Total cash receipts for 2005 (\$7.7 million) were \$755,255 or 10.9 percent higher than those received in 2004. Total cash disbursements were \$638,208 higher (9.0 percent) as compared with the previous year.
- Total Governmental Activities cash receipts for 2005 were \$2,622,406 with \$495,409 being classified as program cash receipts and the remaining \$2,126,997 reported as general receipts and transfers. Total program cash disbursements totaled \$2,748,779 for the same period.
- Total Business-Type Activities program cash receipts for 2005 were \$5,110,369 as compared with program cash disbursements of \$4,956,219.

Using this Basic Financial Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

The Statement of Net Assets and Statement of Activities provide information about the activities of the Village as a whole, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide a more detailed presentation of the Village's cash basis finances. The fund financial statements presents the Village's most significant funds (major funds) separate from the less significant funds (non-major funds) for both governmental and proprietary funds. Non-major funds of the Village are presented in one total column. In the case of the Village of Yellow Springs, the major government funds are the General and the Street Construction and Repair Funds, while the Electric, Water, Sewer, and Solid Waste Funds are classified as major enterprise funds.

Reporting the Village as a Whole

Statement of Net Assets and the Statements of Activities

While this document contains the large number of funds used by the Village to provide programs and activities, the view of the Village as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2005?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

These two statements report the Village's net assets and changes in those assets. This change in net assets is important because it tells the reader whether, for the Village as a whole, the cash basis financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's tax base, current property tax laws in Ohio restricting revenue growth, the condition of the Village's facility and infrastructure, and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the Village is divided into two distinct kinds of activities:

Governmental Activities – These activities are those that are principally supported by taxes and intergovernmental revenues and include police and fire protection, recreation and parks, community environment, street repair and maintenance, and general government.

Business-Type Activities – These activities are those that where the user fees charged for these services are based upon the amount of usage and the intent is to recoup operational costs through the user fees. The Village currently has four business-type activities; electric, water, sewer and solid waste.

Reporting the Village's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about each major fund. The major funds of the Village include the General, Street Construction and Repair, Electric, Water, Sewer and Solid Waste funds. The Village uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the Village's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

Governmental Funds

Most of the Village's activities are reported in governmental funds, which are essentially the same functions reported as governmental activities in the government-wide financial statements. The Village's major governmental funds are the General and the Street Construction and Repair Funds. The financial information of the other governmental funds is aggregated and reported in the non-major governmental funds column in the fund financial statements.

Proprietary Funds

When the Village charges citizens for the services it provides, with the intent of recouping operating costs, these services are generally reported in proprietary funds. The Village has four distinct operations which are classified as enterprise funds; Electric Distribution, Water Treatment and Distribution, Sewage Collection and Treatment, and Solid Waste Collection and Disposal. Each of these operations is reported as major funds in the fund financial statements.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Fiduciary Funds

The financial activity of custodial funds, for which the Village acts as the fiscal agent, is reported separately in the statement assets and liabilities. This financial activity is excluded from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring the assets reported in these funds are used for their intended purposes. The Village of Yellow Springs has four agency funds, including the payroll clearing, petty cash, mandatory deposits and Mayor's Court funds.

Government-Wide Financial Analysis

As noted earlier, net assets – cash basis may serve over time as a useful indicator of a government's financial position. Table 1 provides a summary of the Village's net assets for 2005 as compared with those for 2004:

TABLE 1
NET CASH ASSETS

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets:						
Cash and Cash Equivalents	\$ 1,362,840	\$ 1,489,213	\$ 2,134,940	\$ 2,006,917	\$ 3,497,780	\$ 3,496,130
Total Assets	<u>1,362,840</u>	<u>1,489,213</u>	<u>2,134,940</u>	<u>2,006,917</u>	<u>3,497,780</u>	<u>3,496,130</u>
Net Cash Assets:						
Restricted	220,746	196,515	-	-	220,746	196,515
Unrestricted	<u>1,142,094</u>	<u>1,292,698</u>	<u>2,134,940</u>	<u>2,006,917</u>	<u>3,277,034</u>	<u>3,299,615</u>
Total Net Cash Assets	<u>\$ 1,362,840</u>	<u>\$ 1,489,213</u>	<u>\$ 2,134,940</u>	<u>\$ 2,006,917</u>	<u>\$ 3,497,780</u>	<u>\$ 3,496,130</u>

During 2005 the total net cash assets of the Village increased by \$1,650; consisting of a decrease in Governmental Activities net cash assets of \$126,373 and an increase in the net cash assets of the Business-Type Activities of \$128,023. In 2004 the total net cash assets of the Village decreased by \$115,397; consisting of a decrease in Governmental Activities net cash assets of \$435,287 and an increase in the net cash assets of the Business-Type Activities of \$319,890. The primary reasons for the change in the Village's net cash assets will be discussed after Table 2.

The increase in the restricted net cash assets reported in the Governmental Activities (\$220,746 at December 31, 2005 as compared with \$196,515 reported at December 31, 2004) was that the Village maintained more cash on hand as of the end of 2005 in certain grant funds than it did at the end of 2004. These net cash assets are reported as restricted since there are limitations placed on how these cash assets may be spent.

Therefore the unrestricted net cash assets represent funds which may be allocated in any manner the governing body of the Village determines appropriate, provided they are allocated for purposes permitted by law. The unrestricted net cash assets of the Governmental Activities decreased by \$150,604 during 2005 while the unrestricted net cash assets of the Business-type Activities increased by \$128,023 resulting in a decrease of \$22,581 in the total unrestricted net cash assets reported at December 31, 2005 compared with the prior year.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Table 2 shows the changes in Cash Net Assets for 2005 compared with 2004.

TABLE 2
CHANGES IN NET CASH ASSETS

	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Cash Receipts</u>						
<i>Program Cash Receipts</i>						
Charges for Services and Sales	\$ 209,228	\$ 167,563	\$ 5,110,369	\$ 4,546,348	\$ 5,319,597	\$ 4,713,911
Operating Grants and Contributions	286,181	157,577	-	-	286,181	157,577
General Cash Receipts						
Property Taxes	197,538	200,588	-	-	197,538	200,588
Municipal Income Taxes	1,299,044	1,406,437	-	-	1,299,044	1,406,437
Grants and Entitlements	400,548	276,951	-	-	400,548	276,951
Interest	95,883	30,731	-	-	95,883	30,731
Miscellaneous	107,857	69,198	-	-	107,857	69,198
Special Item - Sale of Land	-	96,000	-	-	-	96,000
Transfers In (Out)	<u>26,127</u>	<u>44,176</u>	<u>(26,127)</u>	<u>(44,176)</u>	<u>-</u>	<u>-</u>
Total Cash Receipts and Transfers	<u>2,622,406</u>	<u>2,449,221</u>	<u>5,084,242</u>	<u>4,502,172</u>	<u>7,706,648</u>	<u>6,951,393</u>
<u>Cash Disbursements</u>						
<i>Program Cash Disbursements</i>						
General Government	474,567	551,067	-	-	474,567	551,067
Security of Persons and Property	1,062,895	1,066,285	-	-	1,062,895	1,066,285
Public Health Services	13,880	10,123	-	-	13,880	10,123
Leisure Time Activities	269,115	315,534	-	-	269,115	315,534
Community Environment	192,235	311,976	-	-	192,235	311,976
Basic Utility Services	5,942	-	-	-	5,942	-
Transportation	586,969	493,186	-	-	586,969	493,186
Debt Service	143,176	136,337	-	-	143,176	136,337
Electric	-	-	3,355,763	2,599,318	3,355,763	2,599,318
Water	-	-	571,007	745,981	571,007	745,981
Sewer	-	-	843,518	651,854	843,518	651,854
Solid Waste	-	-	<u>185,931</u>	<u>185,129</u>	<u>185,931</u>	<u>185,129</u>
Total Cash Disbursements	<u>2,748,779</u>	<u>2,884,508</u>	<u>4,956,219</u>	<u>4,182,282</u>	<u>7,704,998</u>	<u>7,066,790</u>
Change in Net Cash Assets	(126,373)	(435,287)	128,023	319,890	1,650	(115,397)
Net Cash Assets, Beginning of Year	<u>1,489,213</u>	<u>1,924,550</u>	<u>2,006,917</u>	<u>1,687,027</u>	<u>3,496,130</u>	<u>3,611,577</u>
Net Cash Assets, End of Year	<u><u>\$ 1,362,840</u></u>	<u><u>\$ 1,489,263</u></u>	<u><u>\$ 2,134,940</u></u>	<u><u>\$ 2,006,917</u></u>	<u><u>\$ 3,497,780</u></u>	<u><u>\$ 3,496,180</u></u>

As displayed in Table 2, total cash net assets of the Village as a whole, increased by \$1,650 during 2005 compared with the \$115,397 decrease reported for 2004. The governmental activities reported a decrease in net cash assets of \$126,373 which was offset by an increase in business type activities of \$128,023.

Significant factors affecting the change in net cash assets during 2005 include:

- The increase in program cash receipts can be attributed to approximately \$565,000 additional utility cash receipts as compared with 2004 and a \$78,000 one-time cash receipt for transportation operations.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

- The estate taxes received by the Village in 2005 were nearly \$125,000 more than those collected in 2004 due to the timing in the remittance of this tax and the nature of estate taxes.
- Due to the closure of two major businesses within the Village, property and income tax receipts decreased by about \$110,000 in 2005 as compared to the receipts collected in 2004.
- Higher interest rates available to the investments of the Village during 2005 resulted in investment earnings increasing by just over \$65,000 in comparison to 2004.
- Due to budgetary concerns, the Village management tightened control over discretionary spending in 2005. As a result, the total cash disbursements for governmental activities decreased by nearly \$136,000 as compared with the cash disbursements of the prior year.
- Higher cost of energy and related delivery costs associated with utilities during 2005 resulted in the cash disbursements of the business-type activities increasing by approximately \$774,000 over 2004 amounts. While a significant portion of these additional costs were recouped through consumer fees, proper rate adjustments can not be made immediately.

Governmental Activities

Table 3 shows the percentage of total expenditures each functional area comprises, the net cost of each functional area and the percentage of the functional area expenditures that are financed with general cash receipts.

TABLE 3
ANALYSIS OF PROGRAM EXPENDITURES OF
GOVERNMENTAL ACTIVITIES

	Percentage of Total Program Expenditures	Net Expenditures of Function	Percentage of Function Financed with General Cash Receipts
General Government	17.26%	\$ 379,962	80.06%
Security of Person & Property	38.67%	1,004,629	94.52%
Public Health Services	0.50%	11,520	83.00%
Leisure Time Activities	9.79%	173,281	64.39%
Community Environment	6.99%	181,494	94.41%
Basic Utility Services	0.22%	5,942	100.00%
Transportation	21.35%	353,366	60.20%
Debt Service	<u>5.21%</u>	<u>143,176</u>	<u>100.00%</u>
Total	<u>100.00%</u>	<u>\$ 2,253,370</u>	<u>81.98%</u>

As indicated by Table 3, expenditures associated with security of person and property account for 38.67 percent of the total expenditures of the governmental activities and 94.52 percent of these expenditures are financed with general revenue of the Village. Of the \$474,567 general government expenditures, program revenue covers 19.94 percent with the remaining 80.06 percent being provided by general cash receipts. Expenditures associated with the repair and maintenance of the Village streets (transportation function) accounted for 21.35 percent of the Village's 2005 governmental activities. Operating grants from the State of Ohio offset 39.80 percent of those transportation function expenditures.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)

Business-Type Activities

Overall, the Village's business-type activities had operating receipts of just over \$5.1 million in 2005 with total operating expenditures of approximately \$5.0 million compared with \$4.5 million and \$4.2 million in 2004. Increases in operating costs such as the electrical power purchases and personnel costs were factored into the utility rates the Village charged its customers accounting for the increase in operating receipts. Of the Village's four business-type activities, only the sewer fund reported a decrease in net cash assets during 2005. Overall the business-type activities ended 2005 with \$2,134,940 in net cash assets, which represent 51.4 percent of the total operating disbursements reported for the business-type activities for 2005.

The Village's Funds

More detailed information about the Village's funds begins after the Statement of Activities. The General Fund, the operating fund of the Village, reported cash receipts of \$2,195,308 and cash disbursements of \$1,604,440 during 2005. After transfers, the General Fund had a decrease in net cash assets of \$147,031. Overall, governmental funds ended 2005 with net cash assets totaling \$1,362,840.

General Fund Budgeting Highlights

The budget of the General Fund is adopted at the department level. The Council reviews the detailed budgets of each department within the General Fund and other funds, and then adopts the budget at the legal level of control. During 2005, the Village amended its budgeted expenditures three times. Total cash receipts were \$3,336 higher than the final budget amounts and cash expenditures were \$157,320 less than final budget amounts. On a budgetary basis, the General Fund ended 2005 with an unencumbered cash fund balance of \$444,631.

Capital Assets

The Village does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as disbursements.

Debt Administration

Under the cash basis of accounting the Village does not report debt obligations, either long-term or short-term, in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the Village's debt obligations. At December 31, 2005, the Village had \$1,075,000 in General Obligation Bonds and \$582,561 of Ohio Water Development Authority (OWDA) Loans outstanding. In addition, during 2005, the Village issued a \$375,000 Bond Anticipation Note (BAN) to partially refund the \$475,000 BAN which became due during the year. Additional information regarding the Village's debt obligations can be found in Notes 9 and 10 to the basic financial statements.

Contacting the Village's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department at Village of Yellow Springs, Greene County, 100 Dayton Street, Yellow Springs, Ohio 45387 or call (937) 767-7204.

Village of Yellow Springs, Greene County

Statement of Net Assets - Cash Basis

December 31, 2005

	Governmental Activities	Business - Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 1,362,840	\$ 2,134,940	\$ 3,497,780
<i>Total Assets</i>	<u>\$ 1,362,840</u>	<u>\$ 2,134,940</u>	<u>\$ 3,497,780</u>
 Net Cash Assets			
Restricted for:			
Debt Service	\$ 7,594	\$ -	\$ 7,594
Other Purposes	213,152	-	213,152
Unrestricted	<u>1,142,094</u>	<u>2,134,940</u>	<u>3,277,034</u>
<i>Total Net Cash Assets</i>	<u>\$ 1,362,840</u>	<u>\$ 2,134,940</u>	<u>\$ 3,497,780</u>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County

Statement of Activities - Cash Basis

For the Year Ended December 31, 2005

						Net (Disbursements) Receipts and Changes in Net Assets	
	Program Cash Receipts						
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Governmental Activities							
Current:							
General Government	\$ 474,567	\$ 62,905	\$ 31,700	\$ (379,962)	\$ -	\$ (379,962)	
Security of Persons and Property	1,062,895	57,053	1,213	(1,004,629)	-	(1,004,629)	
Public Health Services	13,880	-	2,360	(11,520)	-	(11,520)	
Leisure Time Activities	269,115	78,529	17,305	(173,281)	-	(173,281)	
Community Environment	192,235	10,741	-	(181,494)	-	(181,494)	
Basic Utility Services	5,942	-	-	(5,942)	-	(5,942)	
Transportation	586,969	-	233,603	(353,366)	-	(353,366)	
Debt Service:							
Principal Payments	86,812	-	-	(86,812)	-	(86,812)	
Interest and Fiscal Charges	56,364	-	-	(56,364)	-	(56,364)	
<i>Total Governmental Activities</i>	<i>2,748,779</i>	<i>209,228</i>	<i>286,181</i>	<i>(2,253,370)</i>	<i>-</i>	<i>(2,253,370)</i>	
Business Type Activities							
Electric	3,355,763	3,475,893	-	-	120,130	120,130	
Water	571,007	607,558	-	-	36,551	36,551	
Sewer	843,518	817,102	-	-	(26,416)	(26,416)	
Solid Waste	185,931	209,816	-	-	23,885	23,885	
<i>Total Business Type Activities</i>	<i>4,956,219</i>	<i>5,110,369</i>	<i>-</i>	<i>-</i>	<i>154,150</i>	<i>154,150</i>	
Total	\$ 7,704,998	\$ 5,319,597	\$ 286,181	(2,253,370)	154,150	(2,099,220)	
General Receipts							
Property Taxes Levied for:							
General Purposes			174,745			174,745	
Police Pension			22,793		-	22,793	
Municipal Income Taxes			1,299,044		-	1,299,044	
Grants and Entitlements not Restricted							
to Specific Programs			400,548		-	400,548	
Interest			95,883		-	95,883	
Miscellaneous			107,857		-	107,857	
<i>Total General Receipts</i>			<i>2,100,870</i>		<i>-</i>	<i>2,100,870</i>	
Transfers			26,127		(26,127)		-
<i>Total General Receipts and Transfers</i>			<i>2,126,997</i>		<i>(26,127)</i>		<i>2,100,870</i>
Change in Net Cash Assets			(126,373)		128,023		1,650
<i>Net Cash Assets Beginning of Year</i>			<i>1,489,213</i>		<i>2,006,917</i>		<i>3,496,130</i>
<i>Net Cash Assets End of Year</i>			<i>\$ 1,362,840</i>		<i>\$ 2,134,940</i>		<i>\$ 3,497,780</i>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Street Construction and Repair Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 480,928	\$ 296,693	\$ 585,219	\$ 1,362,840
<i>Total Assets</i>	<u>\$ 480,928</u>	<u>\$ 296,693</u>	<u>\$ 585,219</u>	<u>\$ 1,362,840</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	\$ 36,297	\$ 2,076	\$ 16,235	\$ 54,608
Unreserved:				
Undesignated, Reported in:				
General Fund	444,631	-	-	444,631
Special Revenue Funds	-	294,617	510,824	805,441
Debt Service Fund	-	-	7,594	7,594
Capital Projects Funds	-	-	50,566	50,566
<i>Total Fund Balances</i>	<u>\$ 480,928</u>	<u>\$ 296,693</u>	<u>\$ 585,219</u>	<u>\$ 1,362,840</u>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Street Construction and Repair Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Municipal Income Taxes	\$ 1,299,044	\$ -	\$ -	\$ 1,299,044
Property and Other Local Taxes	174,745	-	22,793	197,538
Special Assessments	-	-	4,887	4,887
Charges for Services	-	-	30,385	30,385
Fines, Licenses and Permits	117,127	-	3,414	120,541
Intergovernmental	399,122	116,267	133,342	648,731
Interest	41,512	42,123	12,248	95,883
Rental Receipts	36,196	-	11,948	48,144
Donations	31,700	-	1,463	33,163
Miscellaneous	95,862	10,766	5,480	112,108
<i>Total Receipts</i>	<i>2,195,308</i>	<i>169,156</i>	<i>225,960</i>	<i>2,590,424</i>
Disbursements				
Current:				
General Government	464,815	-	4,634	469,449
Security of Persons and Property	976,315	-	86,580	1,062,895
Public Health Services	9,880	-	4,000	13,880
Leisure Time Activities	-	-	269,115	269,115
Community Environment	153,430	-	38,805	192,235
Basic Utility Services	-	-	5,942	5,942
Transportation	-	502,419	84,550	586,969
Capital Outlay	-	-	5,118	5,118
Debt Service:				
Principal Retirement	-	-	86,712	86,712
Interest and Fiscal Charges	-	-	56,464	56,464
<i>Total Disbursements</i>	<i>1,604,440</i>	<i>502,419</i>	<i>641,920</i>	<i>2,748,779</i>
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>590,868</i>	<i>(333,263)</i>	<i>(415,960)</i>	<i>(158,355)</i>
Other Financing Sources (Uses)				
Transfers In	312,267	401,326	570,637	1,284,230
Transfers Out	(1,050,166)	-	(207,937)	(1,258,103)
Other Financing Sources	-	-	5,855	5,855
<i>Total Other Financing Sources (Uses)</i>	<i>(737,899)</i>	<i>401,326</i>	<i>368,555</i>	<i>31,982</i>
<i>Net Change in Fund Balances</i>	<i>(147,031)</i>	<i>68,063</i>	<i>(47,405)</i>	<i>(126,373)</i>
<i>Fund Balances Beginning of Year</i>	<i>627,959</i>	<i>228,630</i>	<i>632,624</i>	<i>1,489,213</i>
<i>Fund Balances End of Year</i>	<i>\$ 480,928</i>	<i>\$ 296,693</i>	<i>\$ 585,219</i>	<i>\$ 1,362,840</i>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County
*Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balance (Budgetary Basis)*
General Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Municipal Income Taxes	\$ 1,417,000	\$ 1,417,000	\$ 1,299,044	\$ (117,956)
Property and Other Taxes	177,821	177,821	174,745	(3,076)
Intergovernmental	344,445	380,289	399,122	18,833
Fines, Licenses and Permits	70,850	70,850	117,127	46,277
Interest	35,000	35,000	41,512	6,512
Rental Receipts	40,000	40,000	36,196	(3,804)
Donations	1,000	30,000	31,700	1,700
Other	40,000	41,012	95,862	54,850
Total Revenues	<u>2,126,116</u>	<u>2,191,972</u>	<u>2,195,308</u>	<u>3,336</u>
Expenditures:				
Current:				
General Government	601,612	512,086	487,012	25,074
Security of Persons and Property	1,057,242	1,057,958	988,780	69,178
Public Health Services	10,000	10,000	9,880	120
Community Environment	113,846	219,017	155,065	63,952
Total Expenditures	<u>1,782,700</u>	<u>1,799,061</u>	<u>1,640,737</u>	<u>158,324</u>
Excess of Revenues Over(Under) Expenditures	<u>343,416</u>	<u>392,911</u>	<u>554,571</u>	<u>161,660</u>
Other Financing Sources (Uses):				
Transfers In	125,000	311,747	324,984	13,237
Transfers Out	(1,012,348)	(1,058,684)	(1,062,883)	(4,199)
Total Other Financing Sources (Uses)	<u>(887,348)</u>	<u>(746,937)</u>	<u>(737,899)</u>	<u>9,038</u>
Net Change in Fund Balance	(543,932)	(354,026)	(183,328)	170,698
Fund Balance at Beginning of Year	619,065	619,065	619,065	-
Prior Year Encumbrances Appropriated	8,894	8,894	8,894	-
Fund Balance at End of Year	<u>\$ 84,027</u>	<u>\$ 273,933</u>	<u>\$ 444,631</u>	<u>\$ 170,698</u>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County
*Statement of Cash Receipts, Cash Disbursements,
and Changes in Fund Cash Balance (Budgetary Basis)*
Street Construction and Repair Fund
For the Year Ended December 31, 2005

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 186,800	\$ 96,800	\$ 116,267	\$ 19,467
Interest	40,000	40,000	42,123	2,123
Other	11,838	11,838	10,766	(1,072)
Total Revenues	<u>238,638</u>	<u>148,638</u>	<u>169,156</u>	<u>20,518</u>
Expenditures:				
Current:				
Transportation	<u>642,978</u>	<u>652,678</u>	<u>504,495</u>	<u>148,183</u>
Total Expenditures	<u>642,978</u>	<u>652,678</u>	<u>504,495</u>	<u>148,183</u>
Excess of Revenues Over(Under) Expenditures	<u>(404,340)</u>	<u>(504,040)</u>	<u>(335,339)</u>	<u>168,701</u>
Other Financing Sources (Uses):				
Transfers In	<u>401,326</u>	<u>401,326</u>	<u>401,326</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>401,326</u>	<u>401,326</u>	<u>401,326</u>	<u>-</u>
Net Change in Fund Balance	(3,014)	(102,714)	65,987	168,701
Fund Balance at Beginning of Year	<u>228,630</u>	<u>228,630</u>	<u>228,630</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 225,616</u>	<u>\$ 125,916</u>	<u>\$ 294,617</u>	<u>\$ 168,701</u>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County

Statement of Fund Net Assets - Cash Basis

Proprietary Funds

December 31, 2005

	Business-Type Activities				Total Enterprise Funds
	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,445,230	\$ 394,375	\$ 204,669	\$ 90,666	\$ 2,134,940
<i>Total Assets</i>	<u>\$ 1,445,230</u>	<u>\$ 394,375</u>	<u>\$ 204,669</u>	<u>\$ 90,666</u>	<u>\$ 2,134,940</u>
Net Cash Assets					
Unrestricted	<u>\$ 1,445,230</u>	<u>\$ 394,375</u>	<u>\$ 204,669</u>	<u>\$ 90,666</u>	<u>\$ 2,134,940</u>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County
*Statement of Cash Receipts,
 Disbursements and Changes in Fund Net Assets - Cash Basis
 Proprietary Funds*
For the Year Ended December 31, 2005

	Business-Type Activities				Total Enterprise Funds
	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	
Operating Receipts					
Charges for Services	\$ 3,074,991	\$ 558,390	\$ 787,841	\$ 209,816	\$ 4,631,038
Other Operating Receipts	<u>25,902</u>	<u>49,168</u>	<u>29,261</u>	-	<u>104,331</u>
<i>Total Operating Receipts</i>	<u>3,100,893</u>	<u>607,558</u>	<u>817,102</u>	<u>209,816</u>	<u>4,735,369</u>
Operating Disbursements					
Personal Services	392,034	343,543	327,018	9,474	1,072,069
Contractual Services	2,250,366	98,407	213,979	170,054	2,732,806
Materials and Supplies	72,871	25,634	17,986	-	116,491
Other	3,491	1,477	505	-	5,473
Capital Outlay	<u>146,997</u>	<u>67,704</u>	<u>13,894</u>	-	<u>228,595</u>
<i>Total Operating Disbursements</i>	<u>2,865,759</u>	<u>536,765</u>	<u>573,382</u>	<u>179,528</u>	<u>4,155,434</u>
<i>Operating Income (Loss)</i>	235,134	70,793	243,720	30,288	579,935
Non-Operating Receipts (Disbursements)					
Proceeds from Sale of Bond Anticipation Notes	375,000	-	-	-	375,000
Other Non-Operating Cash Disbursements	(4,346)	(1,982)	(14,746)	(6,403)	(27,477)
Debt Service:					
Principal Payments	(475,000)	(17,980)	(196,684)	-	(689,664)
Interest Payments	<u>(10,658)</u>	<u>(14,280)</u>	<u>(58,706)</u>	-	<u>(83,644)</u>
<i>Income (Loss) before Transfers</i>	120,130	36,551	(26,416)	23,885	154,150
Transfers In	152,519	-	6,000	-	158,519
Transfers Out	<u>(184,646)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,646)</u>
<i>Change in Net Cash Assets</i>	88,003	36,551	(20,416)	23,885	128,023
<i>Net Cash Assets Beginning of Year</i>	<u>1,357,227</u>	<u>357,824</u>	<u>225,085</u>	<u>66,781</u>	<u>2,006,917</u>
<i>Net Cash Assets End of Year</i>	<u>\$ 1,445,230</u>	<u>\$ 394,375</u>	<u>\$ 204,669</u>	<u>\$ 90,666</u>	<u>\$ 2,134,940</u>

See accompanying notes to the basic financial statements.

Village of Yellow Springs, Greene County
Statement of Fiduciary Net Assets - Cash Basis
As of December 31, 2005

	<u>Agency Funds</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 38,355</u>
<i>Total Assets</i>	<u>\$ 38,355</u>
 Net Cash Assets	<u> \$ 38,355</u>

See accompanying notes to the basic financial statements.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1- DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY:

The Village of Yellow Springs, Greene County, (the “Village”) is a political body incorporated in 1856. The Village adopted a home rule municipal charter in 1950 for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village operates under a council-manager form of the government. The Village is directed by a publicly-elected five-member Council. The council appoints the Village Administrator who is the chief executive officer and the head of the administrative agencies of the Village. The Village Administrator appoints all department heads and employees.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the Village are not misleading.

The primary government consists of all funds and departments which provide various services including public safety, public services, health and recreation and development; fire and emergency services are provided by Miami Township Fire Department. Council and the Village Administrator are directly responsible for these activities. The Village’s management believes these financial statements present all activities for which the Village is financially accountable.

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing body and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Village is obligated for the debt of the organization. Component units may also include organizations for which the Village approves the budget, the issuance of debt or the levying of taxes. There are no component units included as part of this report.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Fund Accounting

The Village uses fund accounting to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Village functions or activities. The operation of each fund is accounted for within a separate set of self-balancing set of accounts.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as fund balance. The following are the Village’s major governmental funds:

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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

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

The other governmental funds of the Village account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

Proprietary Funds

The proprietary funds are used to account for the Village's ongoing activities that are similar to those found in the private sector. The only proprietary funds reported by the Village are enterprise funds. The following are the Village's major enterprise funds:

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, treatment, and distribution of sewage throughout the Village.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Village's only fiduciary funds are agency funds which are used to account for resources collected for a payroll clearing account, mayor's court and guaranteed deposits. In accordance with GASB 34, fiduciary funds are not included in the government-wide statements.

Basis of Presentation

The Village prepares its financial statements in accordance with the provisions of GASB 34 for financial reporting on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial statement note disclosures. The Village's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Basis of Accounting

The Village chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivables and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods and services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash Receipts – Exchange and Non-exchange Transactions

Cash receipts resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the cash basis when the exchange takes place. On a cash basis, receipts are recorded in the year in which the resources are received. Non-exchange transactions, in which the Village receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On a cash basis, receipts from property taxes are recognized in the year in which the taxes are received. Receipts from grants, entitlements and donations are recognized in the year in which the monies have been received.

Cash Disbursements

On the cash basis of accounting, disbursements are recognized at the time payments are made.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Tax Budget

A tax budget of estimated revenues and expenditures for all budgeted funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2005.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance controls the spending authority at the department level within the general fund and at the fund level for all other funds. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among departments within the general fund and at the fund level for all other funds may be modified during the year only by an ordinance of Council. During the year supplemental appropriation measures were legally passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

The Village is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the disbursement of funds are recorded in order to reserve a portion of the applicable appropriation. At the close of the fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the total of fund cash balances from all funds as of December 31, 2005. To improve cash management, cash received by the Village is pooled. Monies from all funds, including proprietary funds, are maintained in this pool. Village funds are maintained in several checking accounts as well as invested in the State Treasury Assets Reserves of Ohio (STAR Ohio). Individual fund balance integrity is maintained through the Village's records. Balances of all funds are maintained in these accounts or are temporarily invested in STAR Ohio. All interest receipts are reported in the General Fund unless required by State law or local ordinance. In 2005 interest receipts for the General and Street Construction and Repair funds totaled \$41,512 and \$42,123 respectively, while interest posted to other funds within the village totaled \$12,248.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Capital Assets and Depreciation

Capital assets acquired or constructed are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Compensated Absences

Vacation and sick leave benefits are not accrued under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

Long-term Obligations

In general, bonds, long-term loans, and capital leases are recorded as cash disbursements in the financial statements when paid.

Net Cash Assets

Net cash assets represent the difference between assets and liabilities. Net cash assets consist of cash receipts reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Village or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for various grants. The Village applies restricted resources when an expenditure is incurred for purposes for which both restricted and unrestricted net assets are available.

Interfund Transactions

Exchange transactions between funds are reported as cash receipts in the seller funds and as cash disbursements in the purchaser funds. Flows of cash or goods from one fund to another without the requirement for repayment are reported as transfers. Transfers are reported as other financing sources/uses in governmental funds. Repayment from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements. In the government-wide financial statements transfers within governmental activities or within business-type activities are eliminated.

NOTE 3 - DEPOSITS AND INVESTMENTS:

Monies of substantially all funds of the Village are maintained or invested in a common group of bank accounts and in short-term investments. This is done in order to maximize the rate of interest that can be earned on invested funds. Interest income is distributed to the funds according to charter and statutory requirements.

The investment and deposit of Village monies are governed by the provisions of the Charter and Codified Ordinances of the Village and the Ohio Revised Code. In accordance with these provisions, only financial institutions located in Ohio and primary security dealers are eligible to hold public deposits. The provisions also permit the Village to invest its monies in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio) and obligations of the United States government or certain agencies thereof. The Village may also enter into repurchase agreements with any eligible depository for a period not exceeding five years.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Cash on Hand

At year end, the Village had \$400 of cash on hand which is included as part of Net Cash Assets.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$854,578 of the Village's bank balance of \$1,054,578 was exposed to custodial credit risk because it was uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

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

Investments

At December 31, 2005 the Village's investments consisted of \$1,255,693 in repurchase agreements and \$1,396,917 in the STAR Ohio investment pool. Both the repurchase agreements and STAR Ohio have average investment maturities of less than one year. STAR Ohio is rated AAA by Standard and Poors and the repurchase agreements are unrated.

Interest Rate Risk: The Village has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk: The Village's investment policy limits investments to those authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Village will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Village's investment in the repurchase agreements and STAR Ohio are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Village's name. The Village's investment policy does not address investment custodial risk beyond the requirement the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 4 – BUDGETARY BASIS FUND BALANCES:

Differences between the budgetary basis fund balances and the fund cash balances are due to encumbrances. The table below presents the differences between the net changes in fund balance reported in the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Cash Basis and the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance (Budgetary Basis) for the Village's General and major special revenue fund:

	<u>General Fund</u>	<u>Street Construction and Repair Fund</u>
Fund Balance – Cash Basis	\$ (147,031)	\$ 68,063
Encumbrances	<u>(36,297)</u>	<u>(2,076)</u>
Budgetary Basis Amount	<u>\$ (183,328)</u>	<u>\$ 65,987</u>

NOTE 5 - PROPERTY TAXES:

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Village. Property tax revenue received during 2005 for real and public utility property taxes represents collections of the 2004 taxes. Property tax payments received during 2005 for tangible personal property (other than public utility property) is for 2005 taxes.

2005 real property taxes are levied after October 1, 2005, on the assessed value as of January 1, 2005, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2005 real property taxes collected in and intended to finance 2006.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after October 1, 2005, and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after October 1, 2004, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88 percent of its true value; public utility real property is assessed at 35 percent of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

The full tax rate of for all Village operations for the year ended December 31, 2005 was \$2.6 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 90,018,890
Public Utility Tangible Personal Property Assessed Valuation	663,880
Tangible Personal Property Assessed Valuation	<u>4,516,643</u>
Total	<u>\$ 95,199,413</u>

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

Tangible personal property taxes paid by multi-county tax payers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30; with the remainder payable by September 20.

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village of Yellow Springs. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 6 – LOCAL INCOME TAXES:

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. As of December 31, 2005, Regional Income Tax Agency (R.I.T.A.) collected income taxes for the Village.

NOTE 7 – DEFINED BENEFIT PENSION PLANS:

Ohio Public Employees Retirement System

The Village of Yellow Springs participates in the Ohio Public Employees Retirement System of Ohio (OPERS), which administers three separate pension plans; the Traditional Pension Plan (TPP), the Member-Directed Plan (MDP) and the Combined Plan (CP). The TPP is a cost sharing, multiple-employer defined benefit pension plan. The MDP is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year), and members accumulate retirement assets equal to the value of member and (vested) employer contribution plus any investment earnings. The CP is a cost sharing, multiple-employer defined benefit plan where employer contributions are invested by OPERS to provide a formula retirement benefit similar to the TP benefit, but the member contribution is self-directed by the members and accumulate retirement assets in a manner similar to the MDP.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TPP and CP Plans. Members of the MDP do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a publicly available stand-alone financial report. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-6705 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2004, member and contribution rates were consistent across all three plans. The 2005 member contribution rate was 8.5 percent and the Village's contribution rate was 13.55 percent of covered payroll. The Village's contributions to the plans for the years ending December 31, 2005, 2004, and 2003 were \$189,372, \$182,949, and \$176,855, respectively; 100 percent has been contributed for 2005, 2004 and 2003.

Ohio Police and Fire Pension Fund

The Village of Yellow Springs contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined pension plan. OP&F provides retirement and disability benefits, cost-of-living adjustments, and death benefits to plan member and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 and 24.0 percent respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2005, 2004 and 2003 were \$86,174, \$102,567 and \$80,264, respectively; 100 percent has been contributed for 2005, 2004 and 2003.

NOTE 8 – POSTEMPLOYMENT BENEFITS:

Ohio Public Employees Retirement System

In order to qualify for postretirement health care coverage, age and services retirees under the TPP and the CP plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualifying survivor benefit recipients is available. The health care coverage provided by PERS is considered to be an Other Post Employment Benefit (OPEB) as described in GASB Statement 12. A portion of each employer's contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to OPERS. For 2005 the portion of the required contribution used to fund health care was 4 percent.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Benefits are advance-funded on an actuarially basis. The following assumptions and calculations are based on OPERS' latest actuarial review, performed December 31, 2004. An entry-age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of the unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investments annually. The investment assumption rate for 2004 was 8 percent. An annual increase of 4 percent, compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4 percent base increase, were assumed to range from 0.5 percent to 6.3 percent. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 percent to 6 percent for the next 8 years. In subsequent years (9 and beyond), health care costs were assumed to increase at 4 percent (the projected wage inflation rate).

The Traditional Pension and Combined Plans had 376,109 active contributing participants as of December 31, 2005. The number of active contributing participants for both plans used in the December 31, 2004, actuarial valuation was 355,287. The Village's actual contributions for 2005 which were used to fund post-employment benefits were \$55,903. The actual contribution and the actuarially required contribution amounts are the same. The amount of \$10.8 billion represents the actuarial value of OPERS' net assets available for OPEB at December 31, 2004. The Actuarial Valuation as of December 31, 2004, reported the actuarially accrued liability and unfunded actuarially accrued liability for OPEB, based on the actuarial cost method used, at \$29.5 billion and \$18.7 billion, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, will be effective January 1, 2007. In addition to the HCPP, OPERS has taken additional action to improve the solvency of the Health Care Fund in 2005 by creating a separate investment pool for health care assets. As an additional component of HCPP, member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such persons. An eligible dependent child is any child under the age of eighteen whether or not he is attending school or under twenty-two if attending full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post Employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides that health care cost paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the post-employment health care program during 2004 and 2005. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

The Village's actual contributions for 2004 that were used to fund post-employment benefits were \$34,249. The OP&F's total health care expense for the year ended December 31, 2004 (the date of the last actuarial information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

NOTE 9 – DEBT OBLIGATIONS:

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying financial statements. However, information regarding such changes in the Village's debt obligations during 2005 is as follows:

	Principal Outstanding <u>12/31/04</u>	Additions	Deletions	Principal Outstanding <u>12/31/05</u>	Principal Due within One Year
General Obligation Bonds	\$ 1,150,000	\$ -	\$ 75,000	\$ 1,075,000	\$ 80,000
OWDA Loans Payable	808,937	-	226,376	582,561	164,862
Total	<u>\$ 1,958,937</u>	<u>\$ -</u>	<u>\$ 301,376</u>	<u>\$ 1,657,561</u>	<u>\$ 244,862</u>

In 2002, the Village issued \$1.4 million in General Obligation Bonds to finance the renovation of Village Hall. 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 comes from receipts collected in the General fund, Parks and Recreation Fund and the Electric Fund.

At December 31, 2005 the Village had five long-term 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 following is a summary of these loans which are repaid through receipts collected in the Water and Sewer funds:

Year of Origination	Initial Loan <u>Principal</u>	Interest <u>Rate</u>	Year of Maturity
1986	\$ 103,062	7.11%	2008
1987	\$ 1,537,540	7.11%	2008
1988	\$ 112,441	6.16%	2013
1989	\$ 150,979	7.54%	2012
2001	\$ 222,833	5.15%	2016

Amortization of the above debt is scheduled as follows:

Year Ending <u>December 31:</u>	G.O. Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2006	\$ 80,000	\$ 50,655	\$ 164,862	\$ 37,617
2007	80,000	47,455	176,325	26,155
2008	85,000	44,055	32,397	13,895
2009	90,000	40,358	34,412	11,880
2010	90,000	36,353	36,556	9,736
2011-2015	525,000	113,013	127,526	19,687
2016	125,000	6,438	10,483	270
Total	<u>\$ 1,075,000</u>	<u>\$ 338,325</u>	<u>\$ 582,561</u>	<u>\$ 119,240</u>

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005 the total of these bonds outstanding was approximately \$4.8 million.

NOTE 10 – NOTES PAYABLE:

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying financial statements. However, a summary of the note transactions occurring in 2005 follows:

	Outstanding 12/31/2004	Additions	Deletions	Outstanding 12/31/2005
<u>Electric – Enterprise Fund</u>				
2004 BAN – 2.75%	\$ 475,000	\$ -	\$ 475,000	\$ -
2005 BAN – 4.00%	-	375,000	-	375,000
Total	<u>\$ 575,000</u>	<u>\$ 475,000</u>	<u>\$ 575,000</u>	<u>\$ 475,000</u>

During 2005, the Village issued \$375,000 in Electrical System Improvement Bond Anticipation Notes (BAN) that will mature on November 2, 2006. The proceeds of these notes, combined with debt service payments of \$100,000, were used to pay the debt service on \$475,000 of 2004 Electrical System Improvement BAN that matured during the year. These notes were originally issued to provide financing for the Village's share of costs associated with OMEGA JV2 (See Note 12 for additional discussion related to this joint venture).

NOTE 11 - RISK MANAGEMENT:

The Village maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicles policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

Settled claims have not exceeded coverage in any of the past three years. In addition, there has not been a significant reduction in coverage from the prior year.

NOTE 12 – JOINT VENTURES WITH EQUITY INTEREST:

During the year December 31, 2005, the Village was part of the following joint venture:

The Village 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.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

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-Ohio 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-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio 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. The Village's net investment in OMEGA JV2 was \$465,910 at December 31, 2005. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

NOTE 13 – TRANSFERS:

The following is a summary of transfers in and out for all funds in 2005:

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund	\$ 312,267	\$ 1,050,166
Street Maintenance & Repair Fund	401,326	-
Non-Major Governmental Fund	570,637	207,937
Total Governmental Funds	<u>1,284,230</u>	<u>1,258,103</u>
Electric Fund	152,519	184,646
Sewer Fund	6,000	-
Total Enterprise Funds	<u>158,519</u>	<u>184,646</u>
Total Transfers	<u>\$ 1,442,749</u>	<u>\$ 1,442,749</u>

Transfers are used to move revenues from funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate monies for anticipated capital projects; to provide additional resources for operations or debt service.

NOTE 14 – CONTINGENT LIABILITIES:

Litigation

During the course of normal governmental operation the Village is subject to a variety of lawsuits. However, the Village is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect, if any, on the financial condition of the Village.

VILLAGE OF YELLOW SPRINGS, GREENE COUNTY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal and State Grants

For the period January 1, 2005 to December 31, 2005 the Village received federal and 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.

NOTE 15 – CHANGE IN ACCOUNTING PRINCIPLES:

For 2005, the Village has implemented GASB Statement No. 40, “Deposit and Investment Risk Disclosures” which changed the required disclosure regarding risk associated with deposits and investments in the notes to the basic financial statements. The implementation of this statement had no effect on the amounts within the basic financial statements. These additional disclosures are included in Note 3 to the basic financial statements.



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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

Village Council
Village of Yellow Springs
100 Dayton Street
Yellow Springs, Ohio 45387

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Village of Yellow Springs, Ohio (the Village), as of and for the year ended December 31, 2005, which collectively comprise the Village's basic financial statements and have issued our report thereon dated May 16, 2006, in which it was noted the Village prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected with in a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Village in a separate letter dated May 16, 2006.

This report is intended solely for the information and use of the Village Council, the management of the Village and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Clark, Schaper, Hackett & Co." The signature is fluid and cursive, with the company name enclosed in a small ampersand.

Springfield, Ohio
May 16, 2006

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

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

No Reportable Conditions Noted for 2005

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

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Explanation of Correction
2004-001	ORC Sec. 5705.41(B) – Expenditures plus encumbrances exceeding appropriations for numerous funds.	YES	During 2005, there were no instances noted where budgetary expenditures exceeded available appropriations at the legal level of control.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

**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 25, 2006**