

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

Financial Statements
(Audited)

For the Year Ended
December 31, 2016

MELISSA DODD, FISCAL OFFICER



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, 2016 through December 31, 2016. 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 cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 28, 2017

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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 Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2016..... | 3 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Proprietary and Fiduciary Fund Types - For the Year Ended December 31, 2016..... | 4 |
| Notes to the Financial Statements..... | 5 - 15 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 16 - 17 |
| Schedule of Findings and Responses..... | 18 |

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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, 2016.

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 opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

As described in Note 1 of the financial statements, the Village 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, 2016, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Yellow Springs, Greene County, Ohio, as of December 31, 2016, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(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 June 23, 2017, 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.
June 23, 2017

**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, 2016**

| | General | Special Revenue | Debt Service | Capital Projects | Totals (Memorandum Only) |
|---|--------------------|--------------------|-----------------|---------------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$ 1,068,635 | \$ 26,946 | \$ - | \$ - | \$ 1,095,581 |
| Municipal Income Tax | 1,568,481 | - | - | - | 1,568,481 |
| Intergovernmental | 252,544 | 171,386 | - | - | 423,930 |
| Charges for Services | 67,623 | - | - | - | 67,623 |
| Fines, Licenses and Permits | 21,556 | 3,810 | - | - | 25,366 |
| Earnings on Investments | 6,750 | 587 | - | - | 7,337 |
| Miscellaneous | 183,929 | 6,313 | - | 47,680 | 237,922 |
| <i>Total Cash Receipts</i> | <u>3,169,518</u> | <u>209,042</u> | <u>-</u> | <u>47,680</u> | <u>3,426,240</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 1,318,500 | 118,999 | - | - | 1,437,499 |
| Public Health Services | 6,060 | - | - | - | 6,060 |
| Leisure Time Activities | 339,802 | - | - | 72,745 | 412,547 |
| Community Environment | 63,706 | - | - | - | 63,706 |
| Transportation | - | 485,578 | - | - | 485,578 |
| General Government | 733,384 | 4,031 | - | 40,162 | 777,577 |
| Capital Outlay | 7,935 | 189,815 | - | 3,074 | 200,824 |
| Debt Service: | | | | | |
| Principal Retirement | - | 42,675 | - | - | 42,675 |
| Interest and Fiscal Charges | 2,500 | 2,115 | - | - | 4,615 |
| <i>Total Cash Disbursements</i> | <u>2,471,887</u> | <u>843,213</u> | <u>-</u> | <u>115,981</u> | <u>3,431,081</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>697,631</u> | <u>(634,171)</u> | <u>-</u> | <u>(68,301)</u> | <u>(4,841)</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | 263,475 | 601,310 | - | 150,000 | 1,014,785 |
| Transfers Out | (1,014,785) | - | - | (32,196) | (1,046,981) |
| Advances In | - | - | - | 262,482 | 262,482 |
| Advances Out | (331,232) | - | - | - | (331,232) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(1,082,542)</u> | <u>601,310</u> | <u>-</u> | <u>380,286</u> | <u>(100,946)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(384,911)</u> | <u>(32,861)</u> | <u>-</u> | <u>311,985</u> | <u>(105,787)</u> |
| <i>Fund Cash Balances, January 1</i> | <u>2,186,282</u> | <u>692,972</u> | <u>15,686</u> | <u>357,639</u> | <u>3,252,579</u> |
| Fund Cash Balances, December 31 | | | | | |
| Restricted | - | 646,712 | 15,686 | 280,449 | 942,847 |
| Committed | - | 13,399 | - | - | 13,399 |
| Assigned | 588,021 | - | - | 389,175 | 977,196 |
| Unassigned (Deficit) | 1,213,350 | - | - | - | 1,213,350 |
| <i>Fund Cash Balances, December 31</i> | <u>1,801,371</u> | <u>660,111</u> | <u>15,686</u> | <u>669,624</u> | <u>3,146,792</u> |

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

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

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | Proprietary Fund Types | Fiduciary Fund Types | Totals |
|---|------------------------------|----------------------------|----------------------|
| | Enterprise | Agency | (Memorandum Only) |
| Operating Cash Receipts | | | |
| Charges for Services | \$ 5,000,583 | \$ 400 | \$ 5,000,983 |
| Miscellaneous | 12,151 | 55 | 12,206 |
| <i>Total Operating Cash Receipts</i> | <u>5,012,734</u> | <u>455</u> | <u>5,013,189</u> |
| Operating Cash Disbursements | | | |
| Personal Services | 1,097,522 | - | 1,097,522 |
| Travel / Training | 5,214 | - | 5,214 |
| Contractual Services | 3,347,463 | - | 3,347,463 |
| Supplies and Materials | 143,353 | - | 143,353 |
| Capital Outlay | 104,210 | - | 104,210 |
| Miscellaneous | 8,003 | 669 | 8,672 |
| <i>Total Operating Cash Disbursements</i> | <u>4,705,765</u> | <u>669</u> | <u>4,706,434</u> |
| <i>Operating Income</i> | <u>306,969</u> | <u>(214)</u> | <u>306,755</u> |
| Non-Operating Receipts (Disbursements) | | | |
| Principal Retirement | (162,726) | - | (162,726) |
| Interest and Other Fiscal Charges | (57,047) | - | (57,047) |
| Other Debt Proceeds | 42,963 | - | 42,963 |
| Collections of Fines and Fees | - | 27,471 | 27,471 |
| Distribution of Fines and Fees | - | (27,471) | (27,471) |
| Other Financing Uses | - | (26,800) | (26,800) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | <u>(176,810)</u> | <u>(26,800)</u> | <u>(203,610)</u> |
| <i>Income before Transfers</i> | 130,159 | (27,014) | 103,145 |
| Transfers In | 557,196 | - | 557,196 |
| Transfers Out | (525,000) | - | (525,000) |
| Advances In | 68,750 | - | 68,750 |
| <i>Net Change in Fund Cash Balances</i> | 231,105 | (27,014) | 204,091 |
| <i>Fund Cash Balances, January 1</i> | <u>3,339,762</u> | <u>52,995</u> | <u>3,392,757</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$ 3,570,867</u> | <u>\$ 25,981</u> | <u>\$ 3,596,848</u> |

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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 Board 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
DECEMBER 31, 2016
(Continued)**

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.

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

5. 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 reappropriated.

A summary of 2016 budgetary activity appears in Note 4.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

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, 2016 was as follows:

| | |
|--------------------------------|----------------------------|
| Demand deposits | \$ 3,747,982 |
| Other time deposits | <u>894,600</u> |
| Total Deposits | <u>4,642,582</u> |
| STAR Ohio | 1,605,058 |
| Certificates of deposit | <u>496,000</u> |
| Total Investments | <u>2,101,058</u> |
| Total Deposits and Investments | <u><u>\$ 6,743,640</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
DECEMBER 31, 2016
(Continued)**

4. Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

| 2016 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$3,429,592 | \$3,432,993 | \$3,401 |
| Special Revenue | 805,118 | 810,352 | 5,234 |
| Capital Projects | 434,735 | 460,162 | 25,427 |
| Enterprise | 5,632,963 | 5,681,643 | 48,680 |
| Total | \$10,302,408 | \$10,385,150 | \$82,742 |

| 2016 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$3,945,004 | \$3,817,904 | \$127,100 |
| Special Revenue | 1,040,465 | 843,213 | 197,252 |
| Capital Projects | 273,032 | 148,177 | 124,855 |
| Enterprise | 6,488,322 | 5,800,814 | 687,508 |
| Total | \$11,746,823 | \$10,610,108 | \$1,136,715 |

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.

6. Advances

Outstanding advances at December 31, 2016, consisted of \$262,482 advanced to the USACE Grant Fund, a Capital Projects Fund Type, to provide resources while the project is in progress and the funds will be reimbursed to the Village upon completion of the project.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

7. Debt

Debt outstanding at December 31, 2016 was as follows:

| | Principal | Interest Rate |
|------------|-------------|---------------|
| OWDA Loans | \$1,634,777 | 2.75% - 5.15% |

At December 31, 2016, the Village had 4 loans outstanding with the Ohio Water Development Authority (OWDA). All of these loans were used to finance improvements or expansion of the Village's water and sewer system's infrastructure. During 2016, the Village received the remaining \$42,963 in loan proceeds from OWDA related to their water line replacement project which began in 2015.

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

| Year ending December 31: | OWDA Loans |
|-----------------------------|---------------|
| 2017 | 122,272 |
| 2018 | 122,126 |
| 2019 | 126,944 |
| 2020 | 143,700 |
| 2021 | 121,655 |
| 2022 - 2026 | 605,226 |
| 2027 - 2031 | 567,072 |
| 2032 - 2036 | 233,392 |
| 2037 - 2041 | 125,357 |
| 2042 - 2046 | 113,378 |
| Total | \$2,281,122 |

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, 2016, the total of these bonds outstanding was approximately \$2.3 million.

8. Manuscript Debt

In 2013, the Village Council authorized the issuance of \$275,000 in manuscript debt. The debt is held by the Village's Electric Fund as was issued to finance the early retirement of General Obligation Bonds, which were used to finance the renovations of the Village's municipal building. The debt carries an interest rate of one-half of one percent and has been accounted for using the advance method. The manuscript debt is paid from the General Fund to the Electric Fund in annual installments of \$68,750 on September 1 of each year, the last payment was made in 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

9. Leases

The Village leases vehicles and equipment. The equipment leases are recorded as functional disbursements. There are a total of 5 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 \$153,026 in principal and interest to pay lease costs for the year ended December 31, 2016. Future lease payments are as follows:

| Year ending December 31: | Leases: |
|------------------------------------|------------|
| 2017 | 120,562 |
| 2018 | 50,586 |
| 2019 | 12,745 |
| 2020 | 12,745 |
| 2021 | 12,745 |
| Total minimum lease payments: | \$ 209,383 |
| Less amount representing interest: | (11,234) |
| Total | \$ 198,149 |

10. 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 2016, the Village contributed to OP&F an amount equal to 19.5 percent of full-time police member's wages. For 2016, 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, 2016.

11. 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 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

12. Risk Management

The Village has obtained commercial insurance for the following risks:

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

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

13. 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.

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 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.auditor.state.oh.us.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2016 are:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

13. Joint Ventures with Equity Interest – (Continued)

| 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% |

14. 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 13. The Village is liable for debt related to the financing of the OMEGA joint ventures. The activity is accounted for in the Village's Electric Fund, which is reported as part of the combined Enterprise Fund Type in the financial statements. Summary financial information for the Electric Fund is presented below:

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

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

14. Segment Information – (Continued)

Condensed Operating Information:

| | |
|---------------------------------------|---------------------------|
| Operating Receipts | |
| Charges for Services | 3,059,319 |
| Other Operating Receipts | 12,151 |
| Total Operating Receipts | <u>3,071,470</u> |
| Operating Expenses | |
| Personal Services | 432,389 |
| Travel/Training | 2,173 |
| Contractual Services | 2,637,719 |
| Supplies and Materials | 78,120 |
| Capital Outlay | 61,247 |
| Miscellaneous | 6,737 |
| Total Operating Expenses | <u>3,218,385</u> |
| Operating Income (Loss) | (146,915) |
| Nonoperating Receipts (Disbursements) | |
| Principal Payments | (32,372) |
| Interest Payments | (7,254) |
| Advances-In | 68,750 |
| Transfers-Out | <u>(500,000)</u> |
| Change in Fund Cash Balance | (617,791) |
| Beginning Fund Cash Balance | 2,693,125 |
| Ending Fund Cash Balance | <u><u>\$2,075,334</u></u> |

Condensed Cash Flows Information:

| | |
|--|---------------------------|
| Net Cash Provided (Used) by: | |
| Operating Activities | (\$146,915) |
| Noncapital Financing Activities | |
| Other Noncapital Financing Activities | (500,000) |
| Capital and Related Financing Activities | |
| Principal Payments on Capital and Related Debt | (32,372) |
| Interest Payments on Capital and Related Debt | (7,254) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(39,626)</u> |
| Investing Activities | |
| Investment Income | 68,750 |
| Net Increase (Decrease) | (617,791) |
| Beginning Fund Cash Balance | 2,693,125 |
| Ending Fund Cash Balance | <u><u>\$2,075,334</u></u> |

15. Contingent Liabilities

For the period January 1, 2016 to December 31, 2016, 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.



Julian & Grube, Inc.
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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2017, 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 opinion 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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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's 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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.
June 23, 2017

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

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

| | |
|---|----------|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS | |
| Finding Number | 2016-001 |

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.

Numerous adjustments were made to the financial statement for the year ended December 31, 2016, to properly state financial statement amounts. In addition, numerous material adjustments were made to the Village's related notes to their financial statements.

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.



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
OCTOBER 10, 2017