

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

Financial Statements
(Audited)

For the Year Ended
December 31, 2018



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Village Council
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, 2018 through December 31, 2018. 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 "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

September 4, 2019

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

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Village of Yellow Springs
Greene County
100 Dayton Street
Yellow Springs, Ohio 43587

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, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village of Yellow Springs as of December 31, 2018, and the respective changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Yellow Springs, Greene County, Ohio, as of December 31, 2018, 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 14, 2019, 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 14, 2019

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

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Cash Receipts:					
Property and other local taxes	\$ 1,133,713	\$ 29,187	\$ -	\$ -	\$ 1,162,900
Municipal income taxes	1,808,906	-	-	-	1,808,906
Intergovernmental	274,994	183,361	-	266,895	725,250
Charges for services	71,584	-	-	-	71,584
Fines, licenses and permits	23,694	1,280	-	-	24,974
Investment earnings	88,017	7,654	-	-	95,671
Miscellaneous	148,766	16,697	-	-	165,463
Total cash receipts	<u>3,549,674</u>	<u>238,179</u>	<u>-</u>	<u>266,895</u>	<u>4,054,748</u>
Cash Disbursements:					
Current:					
General government	756,633	2,180	-	11,421	770,234
Security of persons and property	1,274,013	125,954	-	-	1,399,967
Public health and welfare	10,703	-	-	-	10,703
Leisure time activities	418,893	-	-	108,947	527,840
Community environment	101,007	-	-	-	101,007
Transportation	-	481,352	-	-	481,352
Capital outlay	20,000	86,986	-	317,866	424,852
Debt service:					
Principal retirement	-	11,504	-	-	11,504
Interest and fiscal charges	1,615	1,241	-	-	2,856
Total cash disbursements	<u>2,582,864</u>	<u>709,217</u>	<u>-</u>	<u>438,234</u>	<u>3,730,315</u>
Excess (deficiency) of receipts over (under) disbursements	966,810	(471,038)	-	(171,339)	324,433
Other Financing Receipts (Disbursements):					
Sale of Capital Assets	163,614	-	-	-	163,614
Transfers in	414,764	425,168	-	101,000	940,932
Transfers (out)	(940,932)	-	-	-	(940,932)
Advances in	262,482	-	-	-	262,482
Advances (out)	-	-	-	(262,482)	(262,482)
Total Other Financing Receipts (Disbursements)	<u>(100,072)</u>	<u>425,168</u>	<u>-</u>	<u>(161,482)</u>	<u>163,614</u>
Net change in fund balances	866,738	(45,870)	-	(332,821)	488,047
Fund cash balances, January 1	<u>1,926,673</u>	<u>646,798</u>	<u>15,686</u>	<u>835,949</u>	<u>3,425,106</u>
Fund cash balances, December 31					
Restricted	-	589,076	15,686	341	605,103
Committed	-	11,852	-	-	11,852
Assigned	443,836	-	-	502,787	946,623
Unassigned	2,349,575	-	-	-	2,349,575
Fund cash balances, December 31	<u>\$ 2,793,411</u>	<u>\$ 600,928</u>	<u>\$ 15,686</u>	<u>\$ 503,128</u>	<u>\$ 3,913,153</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating receipts:			
Charges for services	\$ 6,918,934	\$ -	\$ 6,918,934
Miscellaneous	95,326	92	95,418
Total operating receipts	<u>7,014,260</u>	<u>92</u>	<u>7,014,352</u>
Operating disbursements			
Personal services	1,290,881	-	1,290,881
Travel and training	6,566	-	6,566
Contractual services.	3,874,327	-	3,874,327
Materials and supplies.	181,814	-	181,814
Other	12,491	983	13,474
Total operating disbursements.	<u>5,366,079</u>	<u>983</u>	<u>5,367,062</u>
Operating income (loss)	<u>1,648,181</u>	<u>(891)</u>	<u>1,647,290</u>
Nonoperating receipts (disbursements):			
Capital outlay	(1,317,824)	-	(1,317,824)
Principal retirement	(291,122)	-	(291,122)
Interest and fiscal charges	(215,166)	-	(215,166)
Collections of fines and fees	-	23,064	23,064
Distribution of fines and fees	-	(23,064)	(23,064)
Loan proceeds.	750,976	-	750,976
Total nonoperating receipts (disbursements)	<u>(1,073,136)</u>	<u>-</u>	<u>(1,073,136)</u>
Income (loss) before capital contributions and transfers and advances.	575,045	(891)	574,154
Transfer in	150,000	-	150,000
Transfer out	(150,000)	-	(150,000)
Capital contributions.	45,162	-	45,162
Net change in fund cash balances.	620,207	(891)	619,316
Fund cash balances, January 1.	<u>4,482,731</u>	<u>11,355</u>	<u>4,494,086</u>
Fund cash balances, December 31	<u>\$ 5,102,938</u>	<u>\$ 10,464</u>	<u>\$ 5,113,402</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies

A. Description of the Entity

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

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

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

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 are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. The Village's investment in commercial paper is valued at the cost basis.

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. 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies - (Continued)

2. Special Revenue Funds

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

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

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 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:

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

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

5. Enterprise Funds

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

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

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies - (Continued)

6. Fiduciary Funds

Fiduciary Funds include Private Purpose Trust Funds and Agency Funds. Trust Funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations, or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's Agency Funds account for the Widows, Mayor's Court, Unclaimed Money and Guaranteed Deposits Funds.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the Village's legal level of budgetary control, and appropriations may not exceed estimated resources. For the Village, the legal level of budgetary control is at the fund level, for all funds, with personal services and other expenditures appropriated separately by department. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2018 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.

The classifications are as follows:

1. Nonspendable

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. Summary of Significant Accounting Policies - (Continued)

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.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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, 2018 was as follows:

Demand deposits	\$ 2,655,858
Certificates of deposit	744,000
Other time deposits	<u>2,509,767</u>
Total deposits	<u>5,909,625</u>
STAR Ohio	2,372,035
Government Money Market	450,200
Commercial paper	<u>294,695</u>
Total Investments	<u>3,116,930</u>
Total Deposits and Investments	<u>\$ 9,026,555</u>

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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. The Village’s investment in commercial paper is valued at cost basis.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

4. Budgetary Activity

Budgetary activity for the year ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,408,395	\$ 4,390,534	\$ (17,861)
Special Revenue	638,978	663,347	24,369
Capital Projects	367,895	367,895	-
Enterprise	7,303,287	7,960,398	657,111
Total	\$ 12,718,555	\$ 13,382,174	\$ 663,619

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,971,838	\$3,609,484	\$362,354
Special Revenue	894,468	783,941	110,527
Capital Projects	802,887	750,696	52,191
Enterprise	7,909,396	7,614,912	294,484
Total	\$13,578,589	\$12,759,033	\$819,556

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. Debt

Debt outstanding at December 31, 2018 was as follows:

	Principal	Interest Rate
OWDA Loan 7279	\$5,508,395	2.75%
OWDA Loan 7136	455,877	3.15%
OWDA Loan 7035	349,901	2.91%
WPCLF/OWDA Loan 5326	592,466	2.75%
WPCLF/OWDA Loan 5844	90,525	3.45%
OPWC Loan CK12T	1,235,000	0.00%
Total	\$8,232,164	

At December 31, 2018, the Village had 5 loans outstanding with the Ohio Water Development Authority (OWDA). All of these loans were used to finance improvements or expansion of the Village's water and sewer system's infrastructure. The OWDA loan 7279 is still open and amortization schedules are not yet available. In 2017, the Village also received a loan from the Ohio Public Works Commission for their Water Treatment Plant Replacement project.

Conduit Debt

In 2002, the Village issued Health Care Facility Revenue Refunding and Improvement Bonds for improvements and acquisition of hospital facilities used by a private healthcare association. These bonds do not constitute general obligations, debtor bonded indebtedness or a pledge of the faith and credit of the Village. At December 31, 2018, the total of these bonds outstanding was approximately \$1,740,000.

7. Leases

The Village leases various vehicles and equipment. The principal and interest payments on the leases are recorded in the Electric Operating Fund (Enterprise Fund Type) and the Street Maintenance/Repair Fund (Special Revenue Fund Type). The Village disbursed \$50,585 in principal and interest to pay lease costs for the year ended December 31, 2018. Future lease payments are as follows:

Year ending December 31:	Leases:
2019	12,745
2020	12,745
2021	12,745
Total minimum lease payments:	\$ 38,235
Less amount representing interest:	(1,901)
Total	\$ 36,334

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

8. Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Village's full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2018.

Ohio Police and Fire Retirement System

The Village's certified full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.50% of full-time police members' wages. The Village has paid all contributions required through December 31, 2018.

9. Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2018. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2018. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

10. 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
FOR THE YEAR ENDED DECEMBER 31, 2018**

11. Joint Ventures with Equity Interest

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

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

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, 2017, the outstanding debt was \$3,781,466. As of December 31, 2017, (the latest information available), the Village's net investment in OMEGA JV2 was \$105,453. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

11. Joint Ventures with Equity Interest - (Continued)

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 (the latest information available) are:

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

12. Segment Information

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

12. Segment Information – (Continued)

	2018
Total Fund Cash Balance	\$3,023,463
Condensed Operating Information:	
Operating Receipts	
Charges for Services	4,366,796
Other Operating Receipts	92,916
Total Operating Receipts	4,459,712
Operating Expenses	
Personal Services	450,288
Travel/Training	1,050
Contractual Services	3,369,313
Supplies and Materials	90,253
Miscellaneous	4,632
Total Operating Expenses	3,915,536
Operating Income	544,176
Nonoperating (Disbursements)	
Principal Payments	(36,122)
Interest Payments	(1,718)
Transfers-Out	(50,000)
Change in Fund Cash Balance	456,336
Beginning Fund Cash Balance	2,567,127
Ending Fund Cash Balance	\$3,023,463
Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	\$544,176
Noncapital Financing Activities	
Other Noncapital Financing Activities	(50,000)
Capital and Related Financing Activities	
Principal Payments on Capital and Related Debt	(36,122)
Interest Payments on Capital and Related Debt	(1,718)
Net Cash Used by Capital and Related Financing Activities	(37,840)
Net Increase	456,336
Beginning Fund Cash Balance	2,567,127
Ending Fund Cash Balance	\$3,023,463

13. Contingent Liabilities

For the period January 1, 2018 to December 31, 2018, 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.

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

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

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Yellow Springs, Greene County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2019, wherein we noted the Village of Yellow Springs followed the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a material weakness. We consider finding 2018-001 to be a material weakness.

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*.

Village of Yellow Springs' Response to Finding

The Village of Yellow Springs' response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not subject the Village of Yellow Springs' response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Julian & Grube, Inc.
June 14, 2019

VILLAGE OF YELLOW SPRINGS
GREENE COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Finding Number	2018-001
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Material Weakness - Financial Statement Presentation

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

In order to properly state financial statement amounts, certain adjustments were made to the Village's financial statements and related notes for the year ended December 31, 2018.

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.

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

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<u>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</u>
2017-001	<u>Material Weakness: Financial Statement Presentation</u> - The presentation of materially correct financial statements and the related notes is the responsibility of management and is an important part of the Village's overall purpose. Financial reporting requires internal controls to help ensure the accuracy of the activity reported. Certain adjustments were posted to the audited financial statements to make them materially correct.	Not Corrected	Finding repeated as 2018-001
2017-002	<u>Material Weakness/Noncompliance - OPWC On-Behalf Payments</u> - Auditor of State Bulletins 2000-008 and 2002-004 provide guidance for local governments participating in on-behalf programs with other governments as to the application of Statement No. 24 of the Governmental Accounting Standards Board. The Village did not record the receipt and expenditure transactions relating to these OPWC on-behalf payments. The adjustments were made to the Village's financial statement to make them materially correct.	Fully Corrected	N/A

OHIO AUDITOR OF STATE KEITH FABER



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
SEPTEMBER 17, 2019**