

VILLAGE OF YELLOW SPRINGS
GREENE COUNTY, OHIO

Financial Statements
(Audited)

For the Year Ended
December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER



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Village Council
Village of Yellow Springs
100 Dayton Street
Yellow Springs, Ohio 43587

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, 2019 through December 31, 2019. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

The Village of Yellow Springs' Longevity Pay Policy states that longevity pay is granted to regular or full-time employees in recognition of their tenure with the Village on the following terms:

1. Longevity pay shall apply to all regular full-time employees who have completed six (6) or more years of service based on date of hire.
2. Longevity pay shall be computed on the basis of the employee's regular annual earning, exclusive of overtime or other premium payments, but including paid leave for holidays, vacation and illness.
3. The first longevity payment shall be an amount equal to one percent of base pay. For each additional year of completed service, four tenths of one percent shall be added to a maximum rate of six and two-tenths percent.
4. Longevity pay shall begin on the first day of the pay period in which an employee's anniversary date of employment occurs.

On February 21, 2017, the Village Council approved a three year employment contract with Judith Kintner as Clerk of Council from December 1, 2016 through January 1, 2020. Ms. Kintner started with the Village of Yellow Springs on March 2, 2010 and was eligible to receive longevity pay starting March 2, 2016 and increases in longevity pay in accordance with the Village's policy on the first day of pay period in with Ms. Kintner's anniversary occurred.

A recalculation of Ms. Kitner's pay, including longevity, for the period under audit indicated Ms. Kitner was overpaid a total of \$1,271 during 2018 and 2019.

In accordance with the forgoing facts, and pursuant to **Ohio Revised Code § 117.28**, a finding for recovery for public money illegally expended in the amount of \$1,271 is hereby issued against Judith Kintner and in favor of Village of Yellow Springs' General Fund.

Village Council
Village of Yellow Springs
100 Dayton Street
Yellow Springs, Ohio 43587
Page -2-

On September 10, 2020, The Village received a cashier's check from an anonymous source in the amount of \$1,275 to repay the Village's General Fund for overpayment made to Ms. Kintner.

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.



Keith Faber
Auditor of State
Columbus, Ohio

December 9, 2020

**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 (Regulatory Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2019.....	3
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, 2019.....	4
Notes to the Financial Statements.....	5 - 17
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	18 - 19
Schedule of Findings and Responses.....	20
Status of Prior Audit Findings	21

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, 2019.

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 2 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, 2019, 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, 2019, 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 2.

Emphasis of Matters

As discussed in Note 3 to the financial statements, during 2019, the Village of Yellow Springs adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as disclosed in Note 16 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village of Yellow Springs. We did not modify our opinion regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2020, 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.
September 11, 2020

**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, 2019

	<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	\$ 1,253,460	\$ 29,527	\$ -	\$ -	\$ 1,282,987
Municipal income taxes	1,802,179	-	-	-	1,802,179
Intergovernmental.	265,061	196,944	-	15,000	477,005
Charges for services.	75,138	-	-	-	75,138
Licenses and permits.	16,440	-	-	-	16,440
Fines and forfeitures	18,510	792	-	-	19,302
Investment earnings	154,136	13,403	-	-	167,539
Miscellaneous	176,410	8,926	-	-	185,336
Total cash receipts	3,761,334	249,592	-	15,000	4,025,926
Cash Disbursements:					
Current:					
General government	807,651	676	-	18,607	826,934
Security of persons and property	1,420,332	155,412	-	-	1,575,744
Public health services.	7,898	-	-	-	7,898
Leisure time activities.	468,636	-	-	29,286	497,922
Community environment	124,172	-	-	-	124,172
Transportation	-	602,639	-	-	602,639
Capital outlay	97,153	132,122	-	-	229,275
Debt service:					
Principal retirement.	-	11,802	-	-	11,802
Interest and fiscal charges.	2,836	943	-	-	3,779
Total cash disbursements	2,928,678	903,594	-	47,893	3,880,165
Excess (deficiency) of receipts over (under) disbursements.	832,656	(654,002)	-	(32,893)	145,761
Other financing sources (uses):					
Transfers in	-	617,000	-	75,000	692,000
Transfers (out).	(692,000)	-	-	-	(692,000)
Total other financing sources (uses)	(692,000)	617,000	-	75,000	-
Net change in fund balances	140,656	(37,002)	-	42,107	145,761
Fund cash balances, January 1 (restated).	2,803,875	600,928	15,686	503,128	3,923,617
Fund cash balances, December 31					
Nonspendable.	8,503	-	-	-	8,503
Restricted.	-	553,382	15,686	341	569,409
Committed.	-	10,544	-	-	10,544
Assigned.	603,713	-	-	544,894	1,148,607
Unassigned.	2,332,315	-	-	-	2,332,315
Fund cash balances, December 31.	\$ 2,944,531	\$ 563,926	\$ 15,686	\$ 545,235	\$ 4,069,378

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**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, 2019

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Custodial	(Memorandum Only)
Operating receipts:			
Charges for services	\$ 6,877,443	\$ -	\$ 6,877,443
Other operating receipts	11,136	-	11,136
Total operating receipts	<u>6,888,579</u>	<u>-</u>	<u>6,888,579</u>
Operating disbursements			
Personal services	1,366,966	-	1,366,966
Travel and training	7,594	-	7,594
Contractual services	4,715,026	-	4,715,026
Materials and supplies	244,652	-	244,652
Other	7,284	-	7,284
Total operating disbursements	<u>6,341,522</u>	<u>-</u>	<u>6,341,522</u>
Operating income	<u>547,057</u>	<u>-</u>	<u>547,057</u>
Nonoperating receipts (disbursements):			
Capital outlay	(385,434)	-	(385,434)
Principal retirement	(260,972)	-	(260,972)
Interest and fiscal charges	(207,503)	-	(207,503)
Collections of fines and fees	-	20,456	20,456
Distribution of fines and fees	-	(20,456)	(20,456)
Loan proceeds	4,037	-	4,037
Total nonoperating receipts (disbursements)	<u>(849,872)</u>	<u>-</u>	<u>(849,872)</u>
Loss before transfers	(302,815)	-	(302,815)
Transfer in	1,450,000	-	1,450,000
Transfer out	<u>(1,450,000)</u>	<u>-</u>	<u>(1,450,000)</u>
Net change in fund cash balances	(302,815)	-	(302,815)
Fund cash balances, January 1 (restated)	<u>5,102,938</u>	<u>-</u>	<u>5,102,938</u>
Fund cash balances, December 31	<u>\$ 4,800,123</u>	<u>\$ -</u>	<u>\$ 4,800,123</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. 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.

2. Summary of Significant Accounting Policies

A. Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory basis) for the proprietary and fiduciary fund types which are organized on a fund type basis.

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, during the year, was valued at the cost basis.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies - (Continued)

D. Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

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.

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 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 Capital Improvement Fund - This fund is used for construction, maintenance and repair of the Village's parks and recreation facilities, including the swimming pool.

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

5. Enterprise Funds

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

2. Summary of Significant Accounting Policies - (Continued)

6. Fiduciary Funds

Fiduciary Funds include Private Purpose Trust Funds and Custodial 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.

Custodial 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 Custodial Fund accounts for the Mayor's Court.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except the Custodial 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. 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 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 2019 budgetary activity appears in Note 6.

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, 2019**

2. 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. Capital Assets

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, 2019**

3. Change in Accounting Principles/Restatement of Fund Balances

For fiscal year 2019, the Village has implemented GASB Statement No. 83, “Certain Asset Retirement Obligations”, GASB Statement No. 84 “Fiduciary Activities”, GASB Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements” and GASB Statement No. 90 “Majority Equity Interests an amendment of GASB Statements No. 14 and No. 61”.

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the Village.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the Village will no longer be reporting agency funds. The Village reviewed its fiduciary funds to determine the appropriate classification under GASB Statement No. 84. The implementation of GASB Statement No. 84 resulted in the restatement of the Village’s financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the Village, however, additional disclosures have been included.

GASB Statement No. 90 improves consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations. This Statement also provides guidance for reporting a component unit if a government acquires a 100 percent equity interest in that component unit. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the Village.

A fund cash balance restatement is required in order to implement GASB Statement No 84. The January 1, 2019 fund cash balances have been restated as follows:

	General	Custodial
Fund cash balance		
at December 31, 2018	\$ 2,793,411	\$ 10,464
Reclassification of fiduciary funds	10,464	(10,464)
Restated fund cash balance		
at January 1, 2019	\$ 2,803,875	\$ -

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

4. 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, 2019 was as follows:

Demand deposits	\$ 1,582,227
Nonnegotiable certificates of deposit	491,940
Other time deposits	<u>2,503,672</u>
Total deposits	<u>4,577,839</u>
STAR Ohio	4,033,226
Negotiable certificates of deposit	248,000
Government Money Market	<u>10,436</u>
Total Investments	<u>4,291,662</u>
Total Deposits and Investments	<u>\$ 8,869,501</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: Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

5. 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, 2019**

6. Budgetary Activity

Budgetary activity for the year ending December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 4,094,675	\$ 3,761,334	\$ (333,341)
Special Revenue	831,300	866,592	35,292
Capital Projects	75,000	90,000	15,000
Enterprise	8,581,238	8,342,616	(238,622)
Total	\$ 13,582,213	\$ 13,060,542	\$ (521,671)

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,822,902	\$3,799,046	\$1,023,856
Special Revenue	1,109,570	1,003,849	105,721
Capital Projects	89,980	67,893	22,087
Enterprise	9,500,238	9,181,134	319,104
Total	\$15,522,690	\$14,051,922	\$1,470,768

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.

7. 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, 2019**

8. Debt

Debt outstanding at December 31, 2019 was as follows:

	Principal	Interest Rate
Direct Borrowings:		
OWDA Loan 7279	\$5,371,011	2.75%
OWDA Loan 7136	444,957	3.15%
OWDA Loan 7035	333,108	2.91%
WPCLF/OWDA Loan 5326	550,168	2.75%
WPCLF/OWDA Loan 5844	84,318	3.45%
OPWC Loan CK12T	1,191,667	0.00%
Total	\$7,975,229	

At December 31, 2019, 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 an amortization schedule is not yet available. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the Village to pay any fines, penalties, interest or late charges associated with the default. In 2017, the Village also received a loan from the Ohio Public Works Commission for their Water Treatment Plant Replacement project.

In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the Village for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the Village is located to pay the amount of the default from funds that would otherwise be appropriated to the Village from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

Amortization

Amortization of the above debt, excluding OWDA Loan 7279, is scheduled as follows:

Year Ending December 31:	OPWC Loan			OWDA Loans		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 43,333	\$ -	\$ 43,333	\$ 78,444	\$ 40,811	\$ 119,255
2021	43,333	-	43,333	80,735	38,549	119,284
2022	43,333	-	43,333	83,094	36,220	119,314
2023	43,333	-	43,333	85,522	33,824	119,346
2024	43,333	-	43,333	88,021	31,356	119,377
2025-2029	216,667	-	216,667	480,247	117,167	597,414
2030-2034	216,667	-	216,667	270,556	57,237	327,793
2035-2039	216,667	-	216,667	109,164	30,238	139,402
2040-2044	216,667	-	216,667	112,156	13,820	125,976
2045-2047	108,334	-	108,334	24,612	583	25,195
Total	\$ 1,191,667	\$ -	\$ 1,191,667	\$ 1,412,551	\$ 399,805	\$ 1,812,356

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

8. Debt - (Continued)

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, 2019, the total of these bonds outstanding was approximately \$1,420,000.

9. Leases

The Village leases various vehicles and equipment. The principal and interest payments on the leases are recorded in the Street Maintenance/Repair Fund (Special Revenue Fund Type). The Village disbursed \$12,745 in principal and interest to pay lease costs for the year ended December 31, 2019. Future lease payments are as follows:

Year ending December 31:	Leases:
2020	\$ 12,745
2021	12,745
Total minimum lease payments:	<u>\$ 25,490</u>
Less amount representing interest:	<u>(958)</u>
Total	<u>\$ 24,532</u>

10. Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some of the Village's 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 postemployment 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, 2019.

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 postemployment 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, 2019.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

10. Defined Benefit Pension Plans - (Continued)

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2019.

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. 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 2019. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed 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.

12. Risk Management

The Village has obtained commercial insurance for the following risks:

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

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

13. Joint Ventures with Equity Interest - (Continued)

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP, which acts as the joint venture's agent. During 2001, AMP issued \$50,260,000 of 20-year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP redeemed all of the \$31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP credit facility. As of December 31, 2019, the outstanding debt was \$3,781,466. As of December 31, 2019, (the latest information available), the Village's net investment in OMEGA JV2 was \$69,667. Complete financial statements for OMEGA JV2 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2018 (the latest information available) are:

Participants	KW Amount	Percent	Participants	KW Amount	Percent
Hamilton	32,000	23.87%	Grafton	1,056	0.79%
Bowling Green	19,198	14.32%	Brewster	1,000	0.75%
Niles	15,400	11.49%	Monroeville	764	0.57%
Cuyahoga Falls	10,000	7.46%	Milan	737	0.55%
Wadsworth	7,784	5.81%	Oak Harbor	737	0.55%
Painesville	7,000	5.22%	Elmore	364	0.27%
Dover	7,000	5.22%	Jackson Center	300	0.22%
Galion	5,753	4.29%	Napoleon	264	0.20%
Amherst	5,000	3.73%	Lodi	218	0.16%
St. marys	4,000	2.98%	Genoa	199	0.15%
Montpelier	4,000	2.98%	Pemberville	197	0.15%
Shelby	2,536	1.89%	Lucas	161	0.12%
Versailles	1,660	1.24%	South Vienna	123	0.09%
Edgerton	1,460	1.09%	Bradner	119	0.09%
Yellow Springs	1,408	1.05%	Woodville	81	0.06%
Oberlin	1,217	0.91%	Haskins	73	0.05%
Pioneer	1,158	0.86%	Arcanum	44	0.03%
Seville	1,066	0.80%	Custar	4	0.00%
			Grand Total	134,081	100.00%

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 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:

Total Fund Cash Balance	2019 \$1,570,639
Condensed Operating Information:	
Operating Receipts	
Charges for Services	4,139,277
Other Operating Receipts	10,921
Total Operating Receipts	4,150,198
Operating Expenses	
Personal Services	485,179
Travel/Training	2,879
Contractual Services	3,962,348
Supplies and Materials	97,293
Miscellaneous	5,323
Total Operating Expenses	4,553,022
Operating Loss	(402,824)
Transfers-Out	(1,050,000)
Change in Fund Cash Balance	(1,452,824)
Beginning Fund Cash Balance	3,023,463
Ending Fund Cash Balance	\$1,570,639
Condensed Cash Flows Information:	
Net Cash Provided (Used) by:	
Operating Activities	(\$402,824)
Noncapital Financing Activities	
Other Noncapital Financing Activities	(1,050,000)
Net Increase/(Decrease)	(1,452,824)
Beginning Fund Cash Balance	3,023,463
Ending Fund Cash Balance	\$1,570,639

15. Contingent Liabilities

For the period January 1, 2019 to December 31, 2019, 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

16. Significant Subsequent Event

The United States of America and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Village. In addition, the impact on the Village's future operating costs, receipts, and any recovery from emergency funding, either federal or state, cannot be estimated.

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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, 2019, and the related notes to the financial statements, and have issued our report thereon dated September 11, 2020, 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. In addition, as discussed in Note 3 to the financial statements, the Village of Yellow Springs adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Additionally, as discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures, will impact subsequent periods of the Village of Yellow Springs.

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 2019-001 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.
September 11, 2020

VILLAGE OF YELLOW SPRINGS
GREENE COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2019

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2019-001

Material Weakness - Financial Statement Presentation

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

In order to properly state financial statement amounts, certain adjustments were made to the Village's financial statements and related notes for the year ended December 31, 2019.

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 Finance Director 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, 2019**

<u>Finding Number</u>	<u>Year Initially Occurred</u>	<u>Finding Summary</u>	<u>Status</u>	<u>Additional Information</u>
2018-001	2016	<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	Repeated as Finding 2019-001 as audit adjustments were posted to the financial statements and related notes.

OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF YELLOW SPRINGS

GREENE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/29/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov