



Dave Yost • Auditor of State



VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Yellow Springs, Greene County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Yellow Springs, Greene County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof and the budgetary comparison for the General and the Street Construction and Repair funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 14, during 2011 the Village of Yellow Springs adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 5, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the Village's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net cash assets, changes in net cash assets, and analysis of program expenditures of governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 5, 2012

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*  
*(Unaudited)*

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The discussion and analysis of the Village of Yellow Springs' (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Village's financial performance.

Key financial highlights for the year ended December 31, 2011 are as follows:

- Total net cash assets increased \$1,138,483 during 2011; this increase consisted of an increase in Governmental Activities net cash assets of \$669,319 as well as an increase in the net cash assets of the Business-type Activities of \$469,164.
- Total cash receipts for 2011 (\$9.1 million) were \$1,513,683 or 14.2 percent lower than those received in 2010. Total cash disbursements were also \$2,021,150 lower (20.2 percent) as compared with the previous year.
- Total Governmental Activities cash receipts for 2011 were \$4,100,445; \$572,004 being classified as program cash receipts and the remaining \$3,528,441 reported as general receipts and transfers. Total program cash disbursements were \$3,431,126 for the same period.
- Total Business-Type Activities program cash receipts for 2011 were \$4,763,792 as compared with program cash disbursements of \$4,573,945.

**Using this Basic Financial Report**

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

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

**Reporting the Village as a Whole**

*Statement of Net Assets and the Statements of Activities*

While this document contains the large number of funds used by the Village to provide programs and activities, the view of the Village as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities report information about the Village as a whole and about its activities in a way that helps answer this question. These statements include only net assets using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*  
*(Unaudited)*

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

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

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

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

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

### **Reporting the Village's Most Significant Funds**

#### *Fund Financial Statements*

As noted above, the fund financial reports provide detailed information about each major fund. The Village uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the Village's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

#### Governmental Funds

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

#### Proprietary Funds

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

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
*(Unaudited)*

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**Fiduciary Funds**

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

**Government-Wide Financial Analysis**

As noted earlier, net cash assets may serve over time as a useful indicator of a government's financial position. Table 1 provides a summary of the Village's net assets for 2011 as compared with those for 2010:

**TABLE 1**  
**NET CASH ASSETS**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets:						
Cash and Cash Equivalents	\$ 3,861,570	\$ 3,192,251	\$ 4,187,656	\$ 3,718,492	\$ 8,049,226	\$ 6,910,743
Total Assets	<u>3,861,570</u>	<u>3,192,251</u>	<u>4,187,656</u>	<u>3,718,492</u>	<u>8,049,226</u>	<u>6,910,743</u>
Net Cash Assets:						
Restricted	1,586,298	1,841,721	-	-	1,586,298	1,841,721
Unrestricted	<u>2,275,272</u>	<u>1,350,530</u>	<u>4,187,656</u>	<u>3,718,492</u>	<u>6,462,928</u>	<u>5,069,022</u>
Total Net Cash Assets	<u>\$ 3,861,570</u>	<u>\$ 3,192,251</u>	<u>\$ 4,187,656</u>	<u>\$ 3,718,492</u>	<u>\$ 8,049,226</u>	<u>\$ 6,910,743</u>

During 2011 the total net cash assets of the Village increased by \$1,138,483; an increase in Governmental Activities net cash assets of \$669,319 as well as an increase in the net cash assets of the Business-Type Activities of \$469,164. The primary reasons for the change in the Village's net cash assets will be discussed after Table 2.

The decrease in restricted net cash assets reported in the Governmental Activities (\$1.6 million at December 31, 2011 as compared with the amount of \$1.8 million reported at December 31, 2010) was due to less cash at year-end maintained for capital projects and other special revenue funds established for specific purposes.

Unrestricted net cash assets represent funds which may be allocated in any manner the governing body of the Village determines appropriate, provided they are allocated for purposes permitted by law. The unrestricted net cash assets of the Governmental Activities and Business-type Activities increased during 2011 by \$924,742 and \$469,164, respectively; resulting in an increase of \$1.4 million in the total unrestricted net cash assets reported at December 31, 2011 compared with the prior year. The primary reason for the increase in net assets reported in the Business-type Activities is due to operating receipts exceeding operating expenditures in the electric utility fund.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
*(Unaudited)*

Table 2 shows the changes in Cash Net Assets for 2011 compared with 2010.

**TABLE 2**  
**CHANGES IN NET CASH ASSETS**

	Governmental Activities		Business-Type Activities		Total	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<u>Cash Receipts</u>						
<i>Program Cash Receipts</i>						
Charges for Services and Sales	\$ 279,467	\$ 351,111	\$ 4,763,372	\$ 4,913,379	\$ 5,042,839	\$ 5,264,490
Operating Grants and Contributions	180,073	180,406	-	-	180,073	180,406
Capital Grants and Contributions	112,464	-	420	1,825,177	112,884	1,825,177
<i>General Cash Receipts</i>						
Property Taxes	1,043,727	1,027,412	-	-	1,043,727	1,027,412
Municipal Income Taxes	1,668,566	1,252,158	-	-	1,668,566	1,252,158
Grants and Entitlements	583,569	405,171	-	-	583,569	405,171
Interest	1,007	2,692	-	-	1,007	2,692
Energy credit receipts	137,885	-	-	-	137,885	-
Miscellaneous	58,254	65,908	-	-	58,254	65,908
Proceeds from Loan	-	-	308,810	627,858	308,810	627,858
Proceeds from Sale of Capital Assets	3,660	5,965	2,280	-	5,940	5,965
Transfers In (Out)	31,773	31,588	(31,773)	(31,588)	-	-
Total Cash Receipts and Transfers	<u>4,100,445</u>	<u>3,322,411</u>	<u>5,043,109</u>	<u>7,334,826</u>	<u>9,143,554</u>	<u>10,657,237</u>
<u>Cash Disbursements</u>						
<i>Program Cash Disbursements</i>						
General Government	653,729	814,755	-	-	653,729	814,755
Security of Persons and Property	1,305,867	1,260,512	-	-	1,305,867	1,260,512
Public Health Services	29,648	10,150	-	-	29,648	10,150
Leisure Time Activities	352,968	359,955	-	-	352,968	359,955
Community Environment	368,469	179,291	-	-	368,469	179,291
Transportation	593,232	520,761	-	-	593,232	520,761
Debt Service	127,213	126,352	-	-	127,213	126,352
Electric	-	-	2,958,489	3,035,529	2,958,489	3,035,529
Water	-	-	551,723	606,657	551,723	606,657
Sewer	-	-	840,731	2,911,720	840,731	2,911,720
Solid Waste	-	-	223,002	200,539	223,002	200,539
Total Cash Disbursements	<u>3,431,126</u>	<u>3,271,776</u>	<u>4,573,945</u>	<u>6,754,445</u>	<u>8,005,071</u>	<u>10,026,221</u>
Change in Net Cash Assets	669,319	50,635	469,164	580,381	1,138,483	631,016
Net Cash Assets, Beginning of Year	<u>3,192,251</u>	<u>3,141,616</u>	<u>3,718,492</u>	<u>3,138,111</u>	<u>6,910,743</u>	<u>6,279,727</u>
Net Cash Assets, End of Year	<u>\$ 3,861,570</u>	<u>\$ 3,192,251</u>	<u>\$ 4,187,656</u>	<u>\$ 3,718,492</u>	<u>\$ 8,049,226</u>	<u>\$ 6,910,743</u>

As displayed in Table 2, total cash net assets of the Village as a whole, increased by \$1,138,483 during 2011 compared with the \$631,016 increase reported for 2010. The governmental activities reported an increase in net cash assets of \$669,319 and the business type activities reported an increase of \$469,164.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
*(Unaudited)*

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Significant factors affecting the change in net cash assets during 2011 include:

- Grants and Entitlements increased in the Governmental Activities from those reported in 2010 by \$178,398, mainly due to the Village receiving increases in estate tax.
- Municipal income taxes increased in the Governmental Activities from those reported in 2010 by \$416,408, due to a one-time increase in net profit and withholding for a major local manufacturer.
- The capital grants and contributions in the Business Type Activities decreased by \$1,824,757 from 2010 to 2011 mainly due to the Village receiving a grant for the sewer project in 2010. In addition, the Village obtained additional financing for the project through a loan from the Ohio Water Authority and drew \$627,858 on the loan in 2010 and \$308,810 in 2011. Project expenditures associated with the project were \$2,070,989 in 2010 and \$205,318 in 2011, respectively.

*Governmental Activities*

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

**TABLE 3**  
**ANALYSIS OF PROGRAM EXPENDITURES OF**  
**GOVERNMENTAL ACTIVITIES**

	Percentage of Total Program Expenditures	Net Expenditures of Function	Percentage of Function Financed with General Cash Receipts
General Government	19.05%	\$ 533,654	81.63%
Security of Person & Property	38.06%	1,257,610	96.30%
Public Health Services	0.86%	13,520	45.60%
Leisure Time Activities	10.29%	241,796	68.50%
Community Environment	10.74%	368,469	100.00%
Transportation	17.29%	316,860	53.41%
Debt Service	<u>3.71%</u>	<u>127,213</u>	<u>100.00%</u>
Total	<u>100.00%</u>	<u>\$ 2,859,122</u>	<u>83.33%</u>

As indicated by Table 3, expenditures associated with security of person and property account for 38.06 percent of the total expenditures of the governmental activities and 96.30 percent of these expenditures are financed with general cash receipts of the Village. Of the \$653,729 in general government expenditures, program cash receipts cover 19.06 percent with the remaining 80.94 percent being provided by general cash receipts. The decrease of general government expenditures of \$161,026 is mainly due to the Village replacing the Bryan Center roof in 2010. The transportation function accounted for 17.28 percent of the Village's 2011 governmental activities or \$593,232 compared to \$520,761 in transportation expenditures for the prior year due to an increase in street maintenance and repair projects conducted for the current year.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*  
*(Unaudited)*

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*Business-Type Activities*

Overall, the Village's business-type activities had program receipts of \$4.8 million in 2011 with total expenditures of approximately \$4.6 million compared with \$6.8 million and \$6.8 million in 2010, respectively. Total receipts decreased by \$2,291,717 and the expenditures decreased by \$2,180,500 for the Business-Type Activities in 2011 mainly due to the activity associated with wastewater treatment plant project mentioned above. The electric utility fund was the only business-type activity to report operating receipts which exceeded operating expenditures. The Village monitors the various utility funds regularly to determine if rate adjustments are necessary.

**The Village's Funds**

More detailed information about the Village's funds begins after the Statement of Activities. The General Fund, the operating fund of the Village, reported cash receipts of \$3,684,285 and cash disbursements of \$2,454,643 during 2011. After transfers, the General Fund had an increase in fund balance of \$238,877. Overall, governmental funds ended 2011 with net cash assets totaling \$2,276,372.

For the other two major governmental funds, the Street Construction and Repair Fund and the Parks and Recreation Improvement Fund reported increases in net cash assets of \$180,804 and \$171,404, respectively; both of which can be attributed to transfers from the General Fund.

The reasons for changes in the major enterprise funds are the same as those noted above for the Business-Type activities.

**General Fund Budgeting Highlights**

The budget of the Village is adopted by the Council at the personal services and other categories within each department of each fund. During 2011, the Village amended its budgeted expenditures six times. Total cash receipts were \$1,346,933 higher than the final budget amounts and actual expenditures were \$85,752 less than final budgeted expenditure amounts. On a budgetary basis, the General Fund ended 2011 with an unencumbered cash fund balance of \$1,641,423. Although actual expenditures (including transfers) were \$22,228 more than originally budgeted, they were \$146,492 less than the final budget.

**Capital Assets**

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

**Debt Administration**

Under the cash basis of accounting the Village does not report debt obligations, either long-term or short-term, in the accompanying cash basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about the Village's debt obligations. At December 31, 2011, the Village had \$555,000 in General Obligation Bonds and \$1,081,082 of Ohio Water Development Authority (OWDA) Loans outstanding. Long-term debt financial activity during 2011 included payment of \$95,000 and \$82,448 of principal related to General Obligation Bonds and OWDA Loans, respectively, as well as the receipt of \$308,810 in new loan proceeds from OWDA associated with the construction of the new wastewater facility. See Note 9 to the basic financial statements for additional details on the debt of the Village.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS*  
*FOR THE YEAR ENDED DECEMBER 31, 2011*  
*(Unaudited)*

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**For the Future**

The Village received a Water Pollution Control Loan Fund (WPCLF) for the planning of a storm water inflow and infiltration study of the wastewater collection facilities which was completed in 2011. Additionally, the Village seeks to upgrade its existing wastewater facilities including a lift station. This project would also be financed with an additional loan through the Ohio Water Development Authority (OWDA).

**Contacting the Village's Finance Department**

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

**Village of Yellow Springs, Greene County**  
*Statement of Net Assets - Cash Basis*  
*As of December 31, 2011*

	Governmental Activities	Business - Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 3,861,570	\$ 4,187,656	\$ 8,049,226
<i>Total Assets</i>	<u>\$ 3,861,570</u>	<u>\$ 4,187,656</u>	<u>\$ 8,049,226</u>
 <b>Net Cash Assets</b>			
Restricted for:			
Capital Projects/Improvements	865,854	-	865,854
Street Maintenance	545,366	-	545,366
Public Safety Programs	160,859	-	160,859
Grant Programs	1,128	-	1,128
Community Benefit Programs	9,015	-	9,015
Other Purposes	4,076	-	4,076
Unrestricted	<u>2,275,272</u>	<u>4,187,656</u>	<u>6,462,928</u>
<i>Total Net Cash Assets</i>	<u>\$ 3,861,570</u>	<u>\$ 4,187,656</u>	<u>\$ 8,049,226</u>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2011

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities</b>							
Current:							
General Government	\$ 653,729	\$ 120,050	\$ 25	\$ -	\$ (533,654)	\$ -	\$ (533,654)
Security of Persons and Property	1,305,867	48,257	-	-	(1,257,610)	-	(1,257,610)
Public Health Services	29,648	-	16,128	-	(13,520)	-	(13,520)
Leisure Time Activities	352,968	111,160	12	-	(241,796)	-	(241,796)
Community Environment	368,469	-	-	-	(368,469)	-	(368,469)
Transportation	593,232	-	163,908	112,464	(316,860)	-	(316,860)
Debt Service:							
Principal Payments	95,000	-	-	-	(95,000)	-	(95,000)
Interest and Fiscal Charges	32,213	-	-	-	(32,213)	-	(32,213)
<i>Total Governmental Activities</i>	<u>3,431,126</u>	<u>279,467</u>	<u>180,073</u>	<u>112,464</u>	<u>(2,859,122)</u>	<u>-</u>	<u>(2,859,122)</u>
<b>Business Type Activities</b>							
Electric	2,958,489	3,267,426	-	-	-	308,937	308,937
Water	551,723	547,496	-	-	-	(4,227)	(4,227)
Sewer	840,731	742,877	-	420	-	(97,434)	(97,434)
Solid Waste	223,002	205,573	-	-	-	(17,429)	(17,429)
<i>Total Business Type Activities</i>	<u>4,573,945</u>	<u>4,763,372</u>	<u>-</u>	<u>420</u>	<u>-</u>	<u>189,847</u>	<u>189,847</u>
<b>Total</b>	<u>\$ 8,005,071</u>	<u>\$ 5,042,839</u>	<u>\$ 180,073</u>	<u>\$ 112,884</u>	<u>(2,859,122)</u>	<u>189,847</u>	<u>(2,669,275)</u>
<b>General Receipts</b>							
Property Taxes Levied for:							
General Purposes					1,017,059		1,017,059
Police Pension					26,668	-	26,668
Municipal Income Taxes					1,668,566	-	1,668,566
Grants and Entitlements not Restricted to Specific Programs							
Interest					583,569	-	583,569
Sale of Capital Assets					1,007	-	1,007
Proceeds from Loan					3,660	2,280	5,940
Energy credit receipts					-	308,810	308,810
Miscellaneous					137,885	-	137,885
					58,254	-	58,254
<i>Total General Receipts</i>					<u>3,496,668</u>	<u>311,090</u>	<u>3,807,758</u>
Transfers					31,773	(31,773)	-
<i>Total General Receipts and Transfers</i>					<u>3,528,441</u>	<u>279,317</u>	<u>3,807,758</u>
<i>Change in Net Cash Assets</i>					669,319	469,164	1,138,483
<i>Net Cash Assets Beginning of Year</i>					<u>3,192,251</u>	<u>3,718,492</u>	<u>6,910,743</u>
<i>Net Cash Assets End of Year</i>					<u>\$ 3,861,570</u>	<u>\$ 4,187,656</u>	<u>\$ 8,049,226</u>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*As of December 31, 2011*

	<u>General</u>	<u>Street Construction &amp; Repair Fund</u>	<u>Parks and Recreation Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Equity in Pooled Cash and					
Cash Equivalents	\$ 2,276,372	\$ 434,701	\$ 404,735	\$ 745,762	\$ 3,861,570
<i>Total Assets</i>	<u>2,276,372</u>	<u>434,701</u>	<u>404,735</u>	<u>745,762</u>	<u>3,861,570</u>
<b>Fund Balances</b>					
Restricted for:					
Capital Projects/Improvements	-	-	404,735	461,119	865,854
Street Maintenance	-	434,701	-	110,665	545,366
Public Safety Programs	-	-	-	160,859	160,859
Grant Programs	1,100	-	-	28	1,128
Other Purposes	-	-	-	4,076	4,076
Committed to:					
Community Benefit Programs	-	-	-	9,015	9,015
Assigned to:					
Parks and Recreation Programs	399,886	-	-	-	399,886
Economic Development Programs	170,535	-	-	-	170,535
Unassigned:	1,704,851	-	-	-	1,704,851
<i>Total Fund Balances</i>	<u>\$ 2,276,372</u>	<u>\$ 434,701</u>	<u>\$ 404,735</u>	<u>\$ 745,762</u>	<u>\$ 3,861,570</u>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2011*

	General	Street Construction & Repair Fund	Parks and Recreation Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>					
Municipal Income Taxes	\$ 1,668,566	\$ -	\$ -	\$ -	\$ 1,668,566
Property and Other Local Taxes	1,017,059	-	-	26,668	1,043,727
Charges for Services	58,290	-	-	-	58,290
Fines, Licenses and Permits	64,115	-	-	50,186	114,301
Intergovernmental	578,301	102,252	-	179,389	859,942
Interest	921	58	-	28	1,007
Rental Receipts	52,870	-	-	-	52,870
Cable Franchise	54,006	-	-	-	54,006
Donations	36	-	-	16,128	16,164
Energy Credit receipts	137,885	-	-	-	137,885
Miscellaneous	52,236	3,018	-	3,000	58,254
<i>Total Receipts</i>	<u>3,684,285</u>	<u>105,328</u>	<u>-</u>	<u>275,399</u>	<u>4,065,012</u>
<b>Disbursements</b>					
Current:					
General Government	605,233	-	-	48,496	653,729
Security of Persons and Property	1,153,069	-	-	152,798	1,305,867
Public Health Services	9,123	-	-	20,525	29,648
Leisure Time Activities	330,928	-	-	-	330,928
Community Environment	356,290	-	-	12,179	368,469
Transportation	-	269,186	-	-	269,186
Capital Outlay	-	71,424	22,040	252,622	346,086
Debt Service:					
Principal Retirement	-	-	-	95,000	95,000
Interest and Fiscal Charges	-	-	-	32,213	32,213
<i>Total Disbursements</i>	<u>2,454,643</u>	<u>340,610</u>	<u>22,040</u>	<u>613,833</u>	<u>3,431,126</u>
<i>Excess of Receipts Over (Under)</i>					
<i>Disbursements</i>	<u>1,229,642</u>	<u>(235,282)</u>	<u>(22,040)</u>	<u>(338,434)</u>	<u>633,886</u>
<b>Other Financing Sources (Uses)</b>					
Sale of Capital Assets	-	-	-	3,660	3,660
Transfers In	428,752	416,086	193,444	413,008	1,451,290
Transfers Out	(1,419,517)	-	-	-	(1,419,517)
<i>Total Other Financing Sources (Uses)</i>	<u>(990,765)</u>	<u>416,086</u>	<u>193,444</u>	<u>416,668</u>	<u>35,433</u>
<i>Net Change in Fund Balances</i>	238,877	180,804	171,404	78,234	669,319
<i>Fund Balances Beginning of</i>					
<i>Year - Restated</i>	<u>2,037,495</u>	<u>253,897</u>	<u>233,331</u>	<u>667,528</u>	<u>3,192,251</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,276,372</u>	<u>\$ 434,701</u>	<u>\$ 404,735</u>	<u>\$ 745,762</u>	<u>\$ 3,861,570</u>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Cash Receipts, Cash Disbursements,  
and Changes in Fund Cash Balance (Budgetary Basis)*  
**General Fund**  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts:				
Municipal Income Taxes	\$ 1,370,023	\$ 1,044,170	\$ 1,668,566	\$ 624,396
Property and Other Taxes	835,085	636,464	1,017,059	380,595
Intergovernmental	474,830	361,894	578,301	216,407
Fines, Licenses and Permits	52,643	40,122	64,115	23,993
Interest	756	576	921	345
Other	222,044	169,232	270,430	101,198
<b>Total Receipts</b>	<b>2,955,381</b>	<b>2,252,458</b>	<b>3,599,392</b>	<b>1,346,934</b>
Disbursements:				
Current:				
General Government	665,261	699,416	669,761	29,655
Security of Persons and Property	1,145,322	1,204,124	1,153,069	51,055
Public Health Services	9,062	9,527	9,123	404
Community Environment	104,030	109,371	104,734	4,637
<b>Total Disbursements</b>	<b>1,923,675</b>	<b>2,022,438</b>	<b>1,936,687</b>	<b>85,751</b>
Excess of Receipts Over(Under) Disbursements	1,031,706	230,020	1,662,705	1,432,685
Other Financing (Uses):				
Transfers Out	(1,362,596)	(1,432,552)	(1,371,812)	60,740
<b>Net Change in Fund Balance</b>	<b>(330,890)</b>	<b>(1,202,532)</b>	<b>290,893</b>	<b>1,493,425</b>
Fund Balance at Beginning of Year	1,276,610	1,276,610	1,276,610	
Prior Year Encumbrances Appropriated	73,920	73,920	73,920	
<b>Fund Balance at End of Year</b>	<b>\$ 1,019,640</b>	<b>\$ 147,998</b>	<b>\$ 1,641,423</b>	<b>\$ 1,493,425</b>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Cash Receipts, Cash Disbursements,  
and Changes in Fund Cash Balance (Budgetary Basis)*  
*Street Construction and Repair Fund*  
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts:				
Intergovernmental	\$ 136,133	\$ 100,522	\$ 102,252	\$ 1,730
Interest	77	57	58	1
Other	4,018	2,967	3,018	51
<b>Total Receipts</b>	<b>140,228</b>	<b>103,546</b>	<b>105,328</b>	<b>1,782</b>
Disbursements:				
Current:				
Transportation	508,204	309,138	284,740	24,398
Capital Outlay	127,478	77,544	71,424	6,120
<b>Total Disbursements</b>	<b>635,682</b>	<b>386,682</b>	<b>356,164</b>	<b>30,518</b>
Excess of Receipts Over(Under) Disbursements	(495,454)	(283,136)	(250,836)	32,300
Other Financing Sources:				
Transfers In	553,957	409,046	416,086	7,040
<b>Net Change in Fund Balance</b>	<b>58,503</b>	<b>125,910</b>	<b>165,250</b>	<b>39,340</b>
Fund Balance at Beginning of Year	246,990	246,990	246,990	
Prior Year Encumbrances Appropriated	6,907	6,907	6,907	
<b>Fund Balance at End of Year</b>	<b>\$ 312,400</b>	<b>\$ 379,807</b>	<b>\$ 419,147</b>	<b>\$ 39,340</b>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Fund Net Assets - Cash Basis*  
*Proprietary Funds*  
*As of December 31, 2011*

	Business-Type Activities				Total Enterprise Funds
	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 3,239,788	\$ 238,002	\$ 669,414	\$ 40,452	\$ 4,187,656
<i>Total Assets</i>	<u>\$ 3,239,788</u>	<u>\$ 238,002</u>	<u>\$ 669,414</u>	<u>\$ 40,452</u>	<u>\$ 4,187,656</u>
<b>Net Cash Assets</b>					
Unrestricted	<u>\$ 3,239,788</u>	<u>\$ 238,002</u>	<u>\$ 669,414</u>	<u>\$ 40,452</u>	<u>\$ 4,187,656</u>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Cash Receipts,  
Disbursements and Changes in Fund Net Assets - Cash Basis  
Proprietary Funds  
For the Year Ended December 31, 2011*

	Business-Type Activities				Total Enterprise Funds
	Electric Fund	Water Fund	Sewer Fund	Solid Waste Fund	
<b>Operating Receipts</b>					
Charges for Services	\$ 3,249,807	\$ 538,067	\$ 735,471	\$ 204,872	\$ 4,728,217
Other Operating Receipts	17,619	9,429	7,406	701	35,155
<i>Total Operating Receipts</i>	<u>3,267,426</u>	<u>547,496</u>	<u>742,877</u>	<u>205,573</u>	<u>4,763,372</u>
<b>Operating Disbursements</b>					
Personal Services	411,663	383,611	277,245	1	1,072,520
Contractual Services	2,494,056	115,108	215,595	223,001	3,047,760
Materials and Supplies	29,704	30,346	30,729	-	90,779
Travel and Training	8,137	1,037	3,323	-	12,497
Capital Outlay	10,965	-	201,994	-	212,959
<i>Total Operating Disbursements</i>	<u>2,954,525</u>	<u>530,102</u>	<u>728,886</u>	<u>223,002</u>	<u>4,436,515</u>
<i>Operating Income (Loss)</i>	312,901	17,394	13,991	(17,429)	326,857
<b>Non-Operating Receipts (Disbursements)</b>					
Proceeds from Sale of Capital Assets	-	-	2,280	-	2,280
Intergovernmental Receipts	-	-	420	-	420
Proceeds from Loan	-	-	308,810	-	308,810
Debt Service:					
Principal Payments	-	(16,469)	(65,979)	-	(82,448)
Interest Payments	-	(5,037)	(34,327)	-	(39,364)
Other Financing Uses	(3,964)	(115)	(11,539)	-	(15,618)
<i>Income (Loss) before Transfers</i>	308,937	(4,227)	213,656	(17,429)	500,937
Transfers Out	(31,773)	-	-	-	(31,773)
<i>Change in Net Cash Assets</i>	277,164	(4,227)	213,656	(17,429)	469,164
<i>Net Cash Assets Beginning of Year</i>	<u>2,962,624</u>	<u>242,229</u>	<u>455,758</u>	<u>57,881</u>	<u>3,718,492</u>
<i>Net Cash Assets End of Year</i>	<u>\$ 3,239,788</u>	<u>\$ 238,002</u>	<u>\$ 669,414</u>	<u>\$ 40,452</u>	<u>\$ 4,187,656</u>

See accompanying notes to the basic financial statements.

**Village of Yellow Springs, Greene County**  
*Statement of Fiduciary Net Assets - Cash Basis*  
*As of December 31, 2011*

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	<u>Agency Funds</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 53,644</u>
<i>Total Assets</i>	<u><u>\$ 53,644</u></u>
<b>Net Cash Assets</b>	<u><u>\$ 53,644</u></u>

See accompanying notes to the basic financial statements.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 1 - DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY:**

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

**Reporting Entity**

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

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

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

**Joint Ventures**

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the Village does not report assets for equity interests in joint ventures (See Note 11).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Fund Accounting**

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

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Governmental Funds

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

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

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

Parks and Recreation Improvement Fund – This fund is primarily used for construction and repair and maintenance expenses pertaining to the Village parks and recreation facilities including the swimming pool.

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

Proprietary Funds

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

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

Sewer Fund – This fund receives charges for services from residents to cover the cost of collecting, treatment, and distribution of sewage throughout the Village.

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

Solid Waste Fund – This fund receives charges for services from residents to cover the cost of collecting solid waste throughout the Village.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Fiduciary Funds

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

**Basis of Presentation**

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Basis of Accounting**

The Village chooses to prepare its financial statements and notes on the cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved). These statements include adequate disclosure of material matters, in accordance with the basis of accounting described above.

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

**Cash Receipts – Exchange and Non-exchange Transactions**

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

**Cash Disbursements**

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

**Budgetary Process**

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

Tax Budget

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

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the Village by September 1. As part of this certification, the Village receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the Village must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2011.

Appropriations

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

Appropriations alterations which would change the total appropriations for either the personal services or other expenditure categories within each department of each fund must be approved through an ordinance of Council. During the year supplemental appropriation measures were legally passed. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

**Cash and Cash Equivalents**

Cash and cash equivalents consist of the total of fund cash balances from all funds as of December 31, 2011. To improve cash management, cash received by the Village is pooled. Monies from all funds, including proprietary funds, are maintained in this pool. Village funds are maintained in several checking accounts as well as invested in the State Treasury Assets Reserves of Ohio (STAR Ohio). Individual fund balance integrity is maintained through the Village's records. Balances of all funds are maintained in

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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these accounts or are temporarily invested in STAR Ohio. All interest receipts are reported in the General Fund unless required by State law or local ordinance. In 2011 interest receipts for the General and Street Construction and Repair funds totaled \$921 and \$58 respectively, while interest posted to other funds within the village totaled \$28.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

### **Capital Assets and Depreciation**

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

### **Compensated Absences**

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

### **Long-Term Obligations**

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

### **Net Cash Assets**

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

### **Interfund Transactions**

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

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Fund Balance Classifications**

Fund balance is reported as restricted when constraints placed on the use of resources are either: a. externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b. imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Village Council enacts legislation requiring specific revenues to be used for a specific purpose. The Village Council can modify or rescind that legislation at any time through additional legislation.

Fund balance is reported as assigned when a revenue source is not previously restricted or committed but the Finance Director determines, in the Director's professional opinion, that the assigning of the revenue is the desire or direction of Council. The authority is given to the Finance Director through ordinance passed by Council.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

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

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

Cash on Hand

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

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2011, \$3,580,645 of the Village's bank balance of \$6,619,722 was exposed to custodial credit risk because it was uninsured and collateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

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

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**Investments**

At December 31, 2011 the Village's investments consisted of \$1,588,845 in the STAR Ohio investment pool, which has average investment maturities of less than one year and is rated AAAM Standard and Poors.

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

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

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

**NOTE 4 – BUDGETARY BASIS FUND BALANCES:**

The table below presents the differences between the net changes in fund balance reported in the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Balance – Cash Basis and the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balance (Budgetary Basis) for the Village's General and major special revenue funds:

	General Fund	Street Construction and Repair Fund
Change in Fund Balance - Cash Basis	\$ 238,877	\$ 180,804
Encumbrances	(64,528)	(15,554)
Funds budgeted elsewhere	116,544	-
Change in Fund Balance - Budgetary Basis	\$ 290,893	\$ 165,250

**NOTE 5 - PROPERTY TAXES:**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the Village. Property tax revenue received during 2011 for real and public utility property taxes represents collections of the 2010 taxes. Property tax payments received during 2011 for tangible personal property (other than public utility property) is for 2011 taxes.

2011 real property taxes are levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

2011 tangible personal property taxes are levied after October 1, 2010, on the value as of December 31, 2010. Collections are made in 2011. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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

The full tax rate for all Village operations for the year ended December 31, 2011 was \$11.0 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$ 108,288,320
Public Utility Tangible Personal Property Assessed Valuation	<u>335,470</u>
Total	\$ <u>108,623,790</u>

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

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

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

**NOTE 6 – LOCAL INCOME TAXES:**

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village. As of December 31, 2011, Regional Income Tax Agency (R.I.T.A.) collected income taxes for the Village.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 7 – DEFINED BENEFIT PENSION PLANS:**

Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS provides retirement, disability, survivor and death benefits, as well as post-employment health care coverage to qualifying members. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multi-employer defined benefit plan; the Member-Directed Plan – a defined contribution plan in which employer contributions vest over five years at 20 percent per year; and the Combined Plan – a cost-sharing, multi-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. Law enforcement and public safety divisions exist only within the traditional plan.

The Ohio Revised Code provides statutory authority for member and employer contributions. The 2011 member contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety division exist only within the Traditional Pension Plan. The 2011 member contribution rates were 10 percent of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. The 2011 employer contribution rate for state and local employers was 14.0 percent of covered payroll and 18.10 percent for those in the law enforcement and public safety divisions.

The rates stated above, are the contractually required contribution rates for OPERS. The Village's contributions to OPERS for the years ending December 31, 2011, 2010 and 2009, were \$224,486, \$211,387 and \$196,653 respectively, equal to the required contributions for each year.

Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10.0 percent of their annual covered salary, while employers are required to contribute 19.5 and 24.0 percent respectively for police officers and firefighters. The Village's contributions to OP&F for the years ending December 31, 2011, 2010 and 2009 were \$61,161, \$96,500 and \$92,823, respectively; 100 percent has been contributed for 2011, 2010 and 2009.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 8 – POSTEMPLOYMENT BENEFITS:**

Ohio Public Employees Retirement System

OPERS maintains a cost-sharing, multi-employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 18.10 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0 percent during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The portion of the Village's contributions that was used to fund post-employment benefits for the years ending December 31, 2011, 2010 and 2009 were \$64,136, \$76,801 and \$81,811, respectively; equal to the required contributions of each year.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased as of January 1, 2006, January 1, 2007, and January 1, 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006 with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP & F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate OP & F to provide OPEB benefits. Authority for the OP & F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits are codified in Chapter 742 of the Ohio Revised Code.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP & F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code state that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP & F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401 (h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP & F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401 (h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provision of Sections 115 and 401(h).

The OP & F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The portion of the Village's contributions to OP&F that was used to fund post-employment benefits for the years ending December 31, 2011, 2010 and 2009 were \$21,162, \$33,389 and \$32,117, respectively; equal to the required contributions of each year.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 9 – DEBT OBLIGATIONS:**

Under the cash basis of accounting, debt obligations are not reported as a liability in the accompanying financial statements. However, information regarding such changes in the Village's debt obligations during 2011 is as follows:

	<u>Principal Outstanding 12/31/10</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal Outstanding 12/31/11</u>	<u>Principal Due within One Year</u>
General Obligation Bonds	\$ 650,000	\$ -	\$ 95,000	\$ 555,000	\$ 100,000
OWDA Loans Payable	<u>854,720</u>	<u>308,810</u>	<u>82,448</u>	<u>1,081,082</u>	<u>26,411</u>
Total	<u>\$ 1,504,720</u>	<u>\$ 308,810</u>	<u>\$ 177,448</u>	<u>\$ 1,636,082</u>	<u>\$ 126,411</u>

In 2002, the Village issued \$1.4 million in General Obligation Bonds to finance the renovation of Village Hall. These Bonds mature in 2016, carry an interest rate of 2.6 percent, and are direct obligations of the Village for which its full faith, credit and resources are pledged. Repayment of these bonds is made from the Bond Retirement fund from transfers made from the General fund, Parks and Recreation Fund and the Electric Fund.

At December 31, 2011 the Village had four long-term loans outstanding with the Ohio Water Development Authority (OWDA). All of these loans were used to finance improvements or expansion of the Village's Water and Sewer System's infrastructure.

The following is a summary of the loans outstanding at year end, which are to be repaid through receipts collected in the Water and Sewer funds:

<u>Year of Origination</u>	<u>Initial Loan Principal</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>
1988	\$ 112,441	6.16%	2013
1989	\$ 150,979	7.54%	2012
2001	\$ 222,833	5.15%	2016
2009	\$1,661,470	2.75%	2031
2011	\$246,600	3.45%	2031

\* The 2009 and 2011 OWDA loan has been approved for a total of not to exceed \$1,661,470 and \$246,600, respectively, as of fiscal year ended December 31, 2011 the Village has drawn \$1,638,447 and \$133,225, respectively. Amortization schedules are not available at this time and is not anticipated being available until the project has been completed and the total amount of the loan is finalized. As such, the outstanding principal from the 2011 loan is not included in the following debt service schedule.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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Amortization of the above debt is scheduled as follows:

Year Ending December 31:	G.O. Bonds		OWDA Loans	
	Principal	Interest	Principal	Interest
2012	100,000	27,748	26,411	5,026
2013	105,000	22,947	22,911	3,561
2014	110,000	17,803	19,183	2,323
2015	115,000	12,303	20,184	1,322
2016	125,000	6,438	10,483	270
Total	\$ 555,000	\$ 87,239	\$ 99,172	\$ 12,502

Conduit Debt

In 2002, the Village issued Health Care Facilities Revenue Refunding and Improvement Bonds for improvements and acquisition of hospital facilities used by a private healthcare association. These bonds do not constitute general obligations, debtor bonded indebtedness or a pledge of the faith and credit of the Village. At December 31, 2011 the total of these bonds outstanding was approximately \$3.6 million.

**NOTE 10 - RISK MANAGEMENT:**

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

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

**NOTE 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-six 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-Ohio and to pay or incur the costs of the same in accordance with the JV2 Agreement.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
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will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$306,587 at December 31, 2011. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at [www.auditor.state.oh.us](http://www.auditor.state.oh.us).

**NOTE 12 – TRANSFERS:**

The following is a summary of transfers in and out for all funds in 2011:

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund	\$ 428,752	\$ 1,419,517
Street Maintenance & Repair Fund	416,086	-
Parks & Recreation Improvement Fund	193,444	-
Non-Major Governmental Fund	413,008	-
Total Governmental Funds	1,451,290	1,419,517
Electric Fund	-	31,773
Total Enterprise Funds	-	31,773
Total Transfers	\$ 1,451,290	\$ 1,451,290

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

**NOTE 13 – CONTINGENT LIABILITIES:**

Litigation

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

Federal and State Grants

For the period January 1, 2011 to December 31, 2011 the Village received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the Village believes such disallowance, if any would be immaterial.

**VILLAGE OF YELLOW SPRINGS, GREENE COUNTY**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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**NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE:**

For fiscal year 2011, the Village has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”. GASB Statement No.54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of the statement resulted in the reclassification of certain funds of the Village’s financial statements.

The implementation of GASB 54 had the following effect on fund balances at December 31, 2011, as previously reported:

<u>FUND</u>	<u>FUND BALANCE PREVIOUSLY REPORTED</u>	<u>IMPLEMENTATION OF GASB 54 RESTATEMENT</u>	<u>FUND BALANCE AS RESTATED</u>
General Fund	\$ 1,350,530	\$ 686,965	\$ 2,037,495
Street Construction and Repair Fund	253,897		253,897
Parks and Recreation Fund	226,595	(226,595)	-
Parks and Recreation Improvement Fund	233,331		233,331
Facilities Improvement Fund	186,942	(186,942)	-
Other Governmental Funds	940,956	(273,428)	667,528
Total Governmental Funds	<u>\$ 3,192,251</u>	<u>\$ -</u>	<u>\$ 3,192,251</u>

**NOTE 15 – COMMITMENTS:**

Encumbrances

Below is a schedule of encumbrances at year-ended December 31, 2011:

<u>FUND</u>	<u>YEAR END ENCUMBRANCES</u>
General Fund	\$ 69,310
Street Construction and Repair Fund	15,554
Non-major Governmental Funds	50,055
Electric Fund	515,723
Water Fund	10,944
Sewer Fund	65,970
Solid Waste Fund	<u>21,035</u>
Total Governmental Funds	<u>\$ 748,591</u>



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' 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 Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Yellow Springs, Greene County, (the Village) as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 5, 2012, wherein we noted the Village adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. We also noted the Village uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's 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, providing an opinion 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*.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated July 5, 2012.

We intend this report solely for the information and use of management, the audit committee, Village Council, and others within the Village. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

July 5, 2012



# Dave Yost • Auditor of State

**VILLAGE OF YELLOW SPRINGS**

**GREENE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 31, 2012**