



Mary Taylor, CPA  
Auditor of State



**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

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# Mary Taylor, CPA

## 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, (the Village), as of and for the year ended December 31, 2009, 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, as of December 31, 2009, and the respective changes in cash financial position and the respective budgetary comparison for the General, the Street Construction and Repair, and the Parks and Recreation funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2010, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The script is cursive and fluid, with the first letters of "Mary" and "Taylor" being capitalized and prominent.

**Mary Taylor, CPA**  
Auditor of State

June 22, 2010

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)**

The discussion and analysis of the Village of Yellow Springs' (the Village) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009. 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, 2009 are as follows:

- Total net cash assets increased \$187,361 during 2009; this increase consisted of an increase in Governmental Activities net cash assets of \$336,787 and a decrease in the net cash assets of the Business-type Activities of \$149,426.
- Total cash receipts for 2009 (\$8.0 million) were \$165,230 or 2.0 percent lower than those received in 2008. Total cash disbursements were \$577,500 higher (8.0 percent) as compared with the previous year.
- Total Governmental Activities cash receipts for 2009 were \$3,541,235; \$485,120 being classified as program cash receipts and the remaining \$3,056,115 reported as general receipts and transfers. Total program cash disbursements were \$3,204,448 for the same period.
- Total Business-Type Activities program cash receipts for 2009 were \$4,422,188 as compared with program cash disbursements of \$4,627,878.

**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 the Parks and Recreation 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 2009?" 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, 2009  
(UNAUDITED)  
(Continued)**

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**

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

#### **Governmental Funds**

Most of the Village's activities are reported in governmental funds, which are essentially the same functions reported as governmental activities in the government-wide financial statements. The Village's major governmental funds are the General, the Street Construction and Repair and the Parks and Recreation 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, 2009  
(UNAUDITED)  
(Continued)**

**Fiduciary Funds**

The financial activity of custodial funds, for which the Village acts as the fiscal agent, is reported separately in the statement assets and liabilities. This financial activity is excluded from the Village's other financial statements because the Village cannot use these assets to finance its operations. The Village is responsible for ensuring the assets reported in these funds are used for their intended purposes. The Village of Yellow Springs has four agency funds, including the payroll clearing, petty cash, mandatory deposits and 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 2009 as compared with those for 2008:

**Table 1  
Net Cash Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
		<b>(Restated)</b>		<b>(Restated)</b>		<b>(Restated)</b>
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Assets:</b>						
Cash and Cash Equivalents	\$3,141,616	\$2,804,829	\$3,138,111	\$3,287,537	\$6,279,727	\$6,092,366
Total Assets	<u>3,141,616</u>	<u>2,804,829</u>	<u>3,138,111</u>	<u>3,287,537</u>	<u>6,279,727</u>	<u>6,092,366</u>
<b>Net Cash Assets:</b>						
Restricted	1,288,399	886,626			1,288,399	886,626
Unrestricted	1,853,217	1,918,203	3,138,111	3,287,537	4,991,328	5,205,740
Total Net Cash Assets	<u>\$3,141,616</u>	<u>\$2,804,829</u>	<u>\$3,138,111</u>	<u>\$3,287,537</u>	<u>\$6,279,727</u>	<u>\$6,092,366</u>

During 2009 the total net cash assets of the Village increased by \$187,361; an increase in Governmental Activities net cash assets of \$336,787 and a decrease in the net cash assets of the Business-Type Activities of \$149,426. The primary reasons for the change in the Village's net cash assets will be discussed after Table 2.

The restricted net cash assets reported in the Governmental Activities (\$1,288,399 at December 31, 2009 as compared with the restated amount of \$886,626 reported at December 31, 2008) increased due to revenues exceeding expenditures in 2009. These net cash assets are reported as restricted since there are limitations placed on how these cash assets may be spent.

Unrestricted net cash assets represent funds which may be allocated in any manner the governing body of the Village determines appropriate, provided they are allocated for purposes permitted by law. The unrestricted net cash assets of the Governmental Activities decreased by \$64,986 during 2009 while the unrestricted net cash assets of the Business-type Activities decreased by \$149,426; resulting in a decrease of \$214,412 in the total unrestricted net cash assets reported at December 31, 2009 compared with the prior year.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)  
(Continued)**

Table 2 shows the changes in Cash Net Assets for 2009 compared with 2008.

**Table 2  
Changes In Net Cash Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>(Restated)</b>		<b>(Restated)</b>			
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
<b>Cash Receipts:</b>						
<b>Program Cash Receipts:</b>						
Charges for Services and Sales	\$ 227,964	\$ 348,027	\$4,380,435	\$4,381,730	\$4,608,399	\$4,729,757
Operating Grants and	257,156	181,682			257,156	181,682
Contributions						
Capital Grants and Contributions			41,753		41,753	
<b>General Cash Receipts:</b>						
Property Taxes	1,049,850	1,034,934			1,049,850	1,034,934
Municipal Income Taxes	1,249,773	1,414,802			1,249,773	1,414,802
Grants and Entitlements	593,902	656,656			593,902	656,656
Interest	6,574	93,368			6,574	93,368
Miscellaneous	123,426	73,718			123,426	73,718
Proceeds from Loan			88,854		88,854	
Transfers In (Out)	32,590	32,264	(32,590)	(32,264)		
Total Cash Receipts and Transfers	<u>3,541,235</u>	<u>3,835,451</u>	<u>4,478,452</u>	<u>4,349,466</u>	<u>8,019,687</u>	<u>8,184,917</u>
<b>Cash Disbursements:</b>						
<b>Program Cash Disbursements:</b>						
General Government	632,459	462,470			632,459	462,470
Security of Persons and Property	1,346,343	1,355,839			1,346,343	1,355,839
Public Health Services	10,858	11,293			10,858	11,293
Leisure Time Activities	392,394	369,778			392,394	369,778
Community Environment	100,807	114,982			100,807	114,982
Transportation	591,229	808,378			591,229	808,378
Debt Service	130,358	129,055			130,358	129,055
Electric			2,729,020	2,659,773	2,729,020	2,659,773
Water			528,375	549,505	528,375	549,505
Sewer			1,137,866	577,910	1,137,866	577,910
Solid Waste			232,617	215,843	232,617	215,843
Total Cash Disbursements	<u>3,204,448</u>	<u>3,251,795</u>	<u>4,627,878</u>	<u>4,003,031</u>	<u>7,832,326</u>	<u>7,254,826</u>
Change in Net Cash Assets	<u>336,787</u>	<u>583,656</u>	<u>(149,426)</u>	<u>346,435</u>	<u>187,361</u>	<u>930,091</u>
Net Cash Assets, Beginning of Year – Restated	<u>2,804,829</u>	<u>2,221,173</u>	<u>3,287,537</u>	<u>2,941,102</u>	<u>6,092,366</u>	<u>5,162,275</u>
Net Cash Assets, End of Year	<u>\$3,141,616</u>	<u>\$2,804,829</u>	<u>\$3,138,111</u>	<u>\$3,287,537</u>	<u>\$6,279,727</u>	<u>\$6,092,366</u>

As displayed in Table 2, total cash net assets of the Village as a whole, increased by \$187,361 during 2009 compared with the \$930,091 increase reported for 2008. The governmental activities reported an increase in net cash assets of \$336,787 and the business type activities reported a decrease of \$149,426.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)  
(Continued)**

Significant factors affecting the change in net cash assets during 2009 include:

- In 2009, cash disbursements of governmental activities decreased by \$47,347 however business type increased by \$624,847 over those reported for 2008.
- Lower interest rates available resulted in investment earnings decreasing by \$86,794 compared with those reported for the prior year.
- During 2009 the Village received funds from the Ohio Public Works Commission as well as loan proceeds from the Ohio Water Development Authority related to the construction of a new wastewater sewer facility.

**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**

	<b>Percentage of Total Program Expenditures</b>	<b>Net Expenditures Of Function</b>	<b>Percentage of Function Financed with General Cash Receipts</b>
General Government	19.74%	\$ 531,830	84.09%
Security of Person & Property	42.01%	1,327,978	98.64%
Public Health Services	0.34%	5,076	46.75%
Leisure Time Activities	12.25%	289,869	73.87%
Community Environment	3.14%	91,602	90.87%
Transportation	18.45%	342,615	57.95%
Debt Service	4.07%	130,358	100.00%
Total	100.00%	\$2,719,328	84.86%

As indicated by Table 3, expenditures associated with security of person and property account for 42.01 percent of the total expenditures of the governmental activities and 98.64 percent of these expenditures are financed with general revenue of the Village. Of the \$632,459 general government expenditures, program revenue covers 15.91 percent with the remaining 84.09 percent being provided by general cash receipts. Expenditures associated with the repair and maintenance of the Village streets (transportation function) accounted for 18.45 percent of the Village's 2009 governmental activities or \$591,229 compared to \$808,378 in transportation expenditures for the prior year. The \$217,149 decrease in transportation expenditures resulted as the Village completed two major road projects during 2008 which were funded primarily through capital grants; the projects in 2009 were more the normal repair and maintenance projects.

**Business-Type Activities**

Overall, the Village's business-type activities had program receipts of \$4.4 million in 2009 with total expenditures of approximately \$4.6 million compared with \$4.4 million and \$4.0 million in 2008, respectively. Overall the cash receipts were consistent from the prior year within all business-type activities. Total expenditures increased by \$624,847 in 2009 due to the initial costs reported in the sewer fund related to the construction of a new wastewater treatment plant; the increase in expenditures reported in the sewer fund account for \$559,956 of the total expenditure increase for the business-type activities.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(UNAUDITED)  
(Continued)**

**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 \$3,055,179 and cash disbursements of \$1,853,917 during 2009. After transfers, the General Fund had an increase in fund balance of \$173,878. Overall, governmental funds ended 2009 with net cash assets totaling \$3,141,616.

**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 2009, the Village amended its budgeted expenditures four times. Total cash receipts were \$222,175 lower than the final budget amounts and cash expenditures were \$349,382 less than final budgeted expenditure amounts. On a budgetary basis, the General Fund ended 2009 with an unencumbered cash fund balance of \$1,804,743. Expenditures (including transfers) were \$254,476 less than original budget amounts due to management's on-going efforts to minimize discretionary spending within the General Fund.

**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, 2009, the Village had \$740,000 in General Obligation Bonds and \$263,420 of Ohio Water Development Authority (OWDA) Loans outstanding. Long-term debt financial activity during 2009 included payments of \$90,000 and \$34,412 of principal related to General Obligation Bonds and OWDA Loans, respectively, as well as the receipt of \$88,854 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.

**For the Future**

The majority of the expenditures associated with the construction of a new wastewater treatment plant are expected to occur within the next couple of years. To-date the Village has expended approximately \$450,000 for necessary engineering studies and preliminary architectural services. The total cost of the project is anticipated to be between \$2.0 and \$2.5 million. A \$1.2 million grant from the Ohio Public Works Commission as well as loan proceeds from OWDA are anticipated to finance the majority of this necessary construction project.

**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, 2009**

	<b>Governmental Activities</b>	<b>Business - Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,141,616	\$3,138,111	\$6,279,727
Total Assets	<u>3,141,616</u>	<u>3,138,111</u>	<u>6,279,727</u>
<b>Net Cash Assets:</b>			
<b>Restricted for:</b>			
Transportation Projects	374,336		374,336
Grant Programs	17,717		17,717
Capital Projects	268,703		268,703
Other Purposes	627,643		627,643
Unrestricted	1,853,217	3,138,111	4,991,328
Total Net Cash Assets	<u>\$3,141,616</u>	<u>\$3,138,111</u>	<u>\$6,279,727</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, 2009**

	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>							
<b>Current:</b>							
General Government	\$632,459	\$100,629			(\$531,830)		(\$531,830)
Security of Persons and Property	1,346,343	18,365			(1,327,978)		(1,327,978)
Public Health Services	10,858		\$5,782		(5,076)		(5,076)
Leisure Time Activities	392,394	99,765	2,760		(289,869)		(289,869)
Community Environment	100,807	9,205			(91,602)		(91,602)
Transportation	591,229		248,614		(342,615)		(342,615)
<b>Debt Service:</b>							
Principal Payments	90,000				(90,000)		(90,000)
Interest and Fiscal Charges	40,358				(40,358)		(40,358)
Total Governmental Activities	<u>3,204,448</u>	<u>227,964</u>	<u>257,156</u>		<u>(2,719,328)</u>		<u>(2,719,328)</u>
<b>Business Type Activities:</b>							
Electric	2,729,020	2,951,169				\$222,149	222,149
Water	528,375	531,265				2,890	2,890
Sewer	1,137,866	712,312		\$41,753		(383,801)	(383,801)
Solid Waste	232,617	185,689				(46,928)	(46,928)
Total Business Type Activities	<u>4,627,878</u>	<u>4,380,435</u>		<u>41,753</u>		<u>(205,690)</u>	<u>(205,690)</u>
Total	<u>\$7,832,326</u>	<u>\$4,608,399</u>	<u>\$257,156</u>	<u>\$41,753</u>	<u>(2,719,328)</u>	<u>(205,690)</u>	<u>(2,925,018)</u>
<b>General Receipts:</b>							
<b>Property Taxes Levied for:</b>							
General Purposes					1,021,555		1,021,555
Police Pension					28,295		28,295
Municipal Income Taxes					1,249,773		1,249,773
Grants and Entitlements not Restricted to Specific Programs					593,902		593,902
Interest					6,574		6,574
Proceeds from Loan						88,854	88,854
Miscellaneous					123,426		123,426
Total General Receipts					<u>3,023,525</u>	<u>88,854</u>	<u>3,112,379</u>
Transfers					<u>32,590</u>	<u>(32,590)</u>	
Total General Receipts and Transfers					<u>3,056,115</u>	<u>56,264</u>	<u>3,112,379</u>
Change in Net Cash Assets					336,787	(149,426)	187,361
Net Cash Assets Beginning of Year - Restated					<u>2,804,829</u>	<u>3,287,537</u>	<u>6,092,366</u>
Net Cash Assets End of Year					<u>\$3,141,616</u>	<u>\$3,138,111</u>	<u>\$6,279,727</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, 2009**

	<b>General</b>	<b>Street Construction and Repair Fund</b>	<b>Parks and Recreation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,853,217	\$211,071	\$183,131	\$894,197	\$3,141,616
Total Assets	<u>1,853,217</u>	<u>211,071</u>	<u>183,131</u>	<u>894,197</u>	<u>3,141,616</u>
<b>Fund Balances:</b>					
<b>Reserved:</b>					
Reserved for Encumbrances	48,474	4,372	6,303	15,745	74,894
<b>Unreserved:</b>					
<b>Undesignated, Reported in:</b>					
General Fund	1,804,743				1,804,743
Special Revenue Funds		206,699	176,828	607,772	991,299
Capital Projects Funds				270,680	270,680
Total Fund Balances	<u>\$1,853,217</u>	<u>\$211,071</u>	<u>\$183,131</u>	<u>\$894,197</u>	<u>\$3,141,616</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, 2009**

	<b>General</b>	<b>Street Construction and Repair Fund</b>	<b>Parks and Recreation Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Receipts:</b>					
Municipal Income Taxes	\$1,249,773				\$1,249,773
Property and Other Local Taxes	1,021,555			\$28,295	1,049,850
Charges for Services			\$47,671		47,671
Fines, Licenses and Permits	58,558			25,313	83,871
Intergovernmental	566,460	\$98,483		155,570	820,513
Interest	6,084	366		124	6,574
Rental Receipts	39,805		12,290		52,095
Cable Franchise	41,099				41,099
Donations			2,760	5,782	8,542
Miscellaneous	71,845	56,276	963	19,573	148,657
<b>Total Receipts</b>	<b>3,055,179</b>	<b>155,125</b>	<b>63,684</b>	<b>234,657</b>	<b>3,508,645</b>
<b>Current:</b>					
General Government	533,800			98,659	632,459
Security of Persons and Property	1,121,221			126,758	1,247,979
Public Health Services	6,216			4,642	10,858
Leisure Time Activities			345,794		345,794
Community Environment	94,316			6,491	100,807
Transportation		257,316			257,316
Capital Outlay	98,364	284,076	46,600	49,837	478,877
<b>Debt Service:</b>					
Principal Retirement				90,000	90,000
Interest and Fiscal Charges				40,358	40,358
<b>Total Disbursements</b>	<b>1,853,917</b>	<b>541,392</b>	<b>392,394</b>	<b>416,745</b>	<b>3,204,448</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>1,201,262</b>	<b>(386,267)</b>	<b>(328,710)</b>	<b>(182,088)</b>	<b>304,197</b>
<b>Other Financing Sources (Uses):</b>					
Transfers In		250,000	345,000	513,858	1,108,858
Transfers Out	(1,027,384)		(48,884)		(1,076,268)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,027,384)</b>	<b>250,000</b>	<b>296,116</b>	<b>513,858</b>	<b>32,590</b>
<b>Net Change in Fund Balances</b>	<b>173,878</b>	<b>(136,267)</b>	<b>(32,594)</b>	<b>331,770</b>	<b>336,787</b>
<b>Fund Balances Beginning of Year - Restated</b>	<b>1,679,339</b>	<b>347,338</b>	<b>215,725</b>	<b>562,427</b>	<b>2,804,829</b>
<b>Fund Balances End of Year</b>	<b>\$1,853,217</b>	<b>\$211,071</b>	<b>\$183,131</b>	<b>\$894,197</b>	<b>\$3,141,616</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)  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Municipal Income Taxes	\$1,207,077	\$1,340,658	\$1,249,773	(\$90,885)
Property and Other Taxes	986,656	1,095,843	1,021,555	(74,288)
Intergovernmental	547,108	607,653	566,460	(41,193)
Fines, Licenses and Permits	56,557	62,817	58,558	(4,259)
Interest	5,876	6,526	6,084	(442)
Other	147,531	163,857	152,749	(11,108)
Total Receipts	<u>2,950,805</u>	<u>3,277,354</u>	<u>3,055,179</u>	<u>(222,175)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	660,163	689,211	582,274	106,937
Security of Persons and Property	1,271,203	1,327,138	1,121,221	205,917
Public Health Services	7,047	7,358	6,216	1,142
Community Environment	106,932	111,637	94,316	17,321
Capital Outlay	111,522	116,429	98,364	18,065
Total Disbursements	<u>2,156,867</u>	<u>2,251,773</u>	<u>1,902,391</u>	<u>349,382</u>
Excess of Receipts Over Disbursements	<u>793,938</u>	<u>1,025,581</u>	<u>1,152,788</u>	<u>127,207</u>
<b>Other Financing (Uses):</b>				
Transfers Out	<u>(1,027,384)</u>	<u>(1,027,384)</u>	<u>(1,027,384)</u>	
Total Other Financing (Uses)	<u>(1,027,384)</u>	<u>(1,027,384)</u>	<u>(1,027,384)</u>	
Net Change in Fund Balance	(233,446)	(1,803)	125,404	127,207
Fund Balance at Beginning of Year	1,648,156	1,648,156	1,648,156	
Prior Year Encumbrances Appropriated	<u>31,183</u>	<u>31,183</u>	<u>31,183</u>	
Fund Balance at End of Year	<u>\$1,445,893</u>	<u>\$1,677,536</u>	<u>\$1,804,743</u>	<u>\$127,207</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCE (BUDGETARY BASIS)  
STREET CONSTRUCTION AND REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Intergovernmental	\$213,436	\$195,593	\$98,483	(\$97,110)
Interest	793	727	366	(361)
Other	121,963	111,767	56,276	(55,491)
Total Receipts	<u>336,192</u>	<u>308,087</u>	<u>155,125</u>	<u>(152,962)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Transportation	344,175	294,207	261,688	32,519
Capital Outlay	<u>373,619</u>	<u>319,378</u>	<u>284,076</u>	<u>35,302</u>
Total Disbursements	<u>717,794</u>	<u>613,585</u>	<u>545,764</u>	<u>67,821</u>
Excess of Receipts (Under) Disbursements	<u>(381,602)</u>	<u>(305,498)</u>	<u>(390,639)</u>	<u>(85,141)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers In	<u>541,808</u>	<u>496,513</u>	<u>250,000</u>	<u>(246,513)</u>
Total Other Financing Sources (Uses)	<u>541,808</u>	<u>496,513</u>	<u>250,000</u>	<u>(246,513)</u>
Net Change in Fund Balance	160,206	191,015	(140,639)	(331,654)
Fund Balance at Beginning of Year	344,947	344,947	344,947	
Prior Year Encumbrances Appropriated	<u>2,391</u>	<u>2,391</u>	<u>2,391</u>	
Fund Balance at End of Year	<u><u>\$507,544</u></u>	<u><u>\$538,353</u></u>	<u><u>\$206,699</u></u>	<u><u>(\$331,654)</u></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)  
PARKS AND RECREATION FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Charges for Services	\$53,575	\$48,595	\$47,671	(\$924)
Other	17,996	16,323	16,013	(310)
Total Receipts	<u>71,571</u>	<u>64,918</u>	<u>63,684</u>	<u>(1,234)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Leisure Time Activities	357,515	362,623	352,097	10,526
Capital Outlay	47,317	47,993	46,600	1,393
Total Disbursements	<u>404,832</u>	<u>410,616</u>	<u>398,697</u>	<u>11,919</u>
Excess of Receipts Over(Under) Disbursements	<u>(333,261)</u>	<u>(345,698)</u>	<u>(335,013)</u>	<u>10,685</u>
<b>Other Financing Sources (Uses):</b>				
Operating Transfers-Out	(49,636)	(50,345)	(48,884)	1,461
Transfers In	387,728	351,682	345,000	(6,682)
Total Other Financing Sources (Uses)	<u>338,092</u>	<u>301,337</u>	<u>296,116</u>	<u>(5,221)</u>
Net Change in Fund Balance	4,831	(44,361)	(38,897)	5,464
Fund Balance at Beginning of Year	175,304	175,304	175,304	
Prior Year Encumbrances Appropriated	<u>40,421</u>	<u>40,421</u>	<u>40,421</u>	
Fund Balance at End of Year	<u>\$220,556</u>	<u>\$171,364</u>	<u>\$176,828</u>	<u>\$5,464</u>

*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, 2009**

	<b>Business-Type Activities</b>				<b>Total Enterprise Funds</b>
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Solid Waste Fund</b>	
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$2,568,434	\$326,058	\$177,099	\$66,520	\$3,138,111
Total Assets	<u>2,568,434</u>	<u>326,058</u>	<u>177,099</u>	<u>66,520</u>	<u>3,138,111</u>
<b>Net Cash Assets:</b>					
Unrestricted	<u>\$2,568,434</u>	<u>\$326,058</u>	<u>\$177,099</u>	<u>\$66,520</u>	<u>\$3,138,111</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  
PROPREITARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Business-Type Activities</b>				
	<b>Electric Fund</b>	<b>Water Fund</b>	<b>Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total Enterprise Funds</b>
<b>Operating Receipts:</b>					
Charges for Services	\$2,887,186	\$519,233	\$689,362	\$185,103	\$4,280,884
Other Operating Receipts	63,983	12,032	22,950	586	99,551
Total Operating Receipts	<u>2,951,169</u>	<u>531,265</u>	<u>712,312</u>	<u>185,689</u>	<u>4,380,435</u>
 <b>Operating Disbursements:</b>					
Personal Services	355,590	348,129	266,947	11,430	982,096
Contractual Services	2,332,272	112,537	208,060	220,897	2,873,766
Materials and Supplies	25,530	27,750	18,972	5	72,257
Travel and Training	3,054	1,598	3,159		7,811
Capital Outlay	3,283	15,345	602,616		621,244
Total Operating Disbursements	<u>2,719,729</u>	<u>505,359</u>	<u>1,099,754</u>	<u>232,332</u>	<u>4,557,174</u>
 Operating Income (Loss)	231,440	25,906	(387,442)	(46,643)	(176,739)
 <b>Non-Operating Receipts (Disbursements):</b>					
Intergovernmental Receipts			41,753		41,753
Proceeds from Loan			88,854		88,854
<b>Debt Service:</b>					
Principal Payments		(14,877)	(19,536)		(34,413)
Interest Payments		(6,630)	(5,151)		(11,781)
Other Financing Uses	<u>(9,291)</u>	<u>(1,509)</u>	<u>(13,425)</u>	<u>(285)</u>	<u>(24,510)</u>
 Income (Loss) before Transfers	222,149	2,890	(294,947)	(46,928)	(116,836)
 Transfers Out	<u>(32,590)</u>				<u>(32,590)</u>
 Change in Net Cash Assets	189,559	2,890	(294,947)	(46,928)	(149,426)
 Net Cash Assets Beginning of Year - Restated	<u>2,378,875</u>	<u>323,168</u>	<u>472,046</u>	<u>113,448</u>	<u>3,287,537</u>
 Net Cash Assets End of Year	<u><u>\$2,568,434</u></u>	<u><u>\$326,058</u></u>	<u><u>\$177,099</u></u>	<u><u>\$66,520</u></u>	<u><u>\$3,138,111</u></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, 2009**

	<u>Agency Funds</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$52,825</u>
Total Assets	<u><u>52,825</u></u>
 Net Cash Assets	 <u><u>\$52,825</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, 2009**

**1. DESCRIPTION OF THE VILLAGE AND REPORTING ENTITY**

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

**A. Reporting Entity**

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

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

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

**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 *modified* cash basis of accounting, the Village does not report assets for equity interests in joint ventures. (See Note 11).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. 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, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. 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 Fund** – This fund receives swimming pool and rental income that is primarily used for constructing, maintaining and repairing 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 to a particular purpose.

**2. 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.

**3. Fiduciary Funds**

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



**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. 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.

**1. 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.

**2. 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.

**C. 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.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**D. 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.

**E. Cash Disbursements**

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

**F. 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.

**1. 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.

**2. 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

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2009.

**3. 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.

**4. 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.

**G. Cash and Cash Equivalents and Investments**

Cash and cash equivalents consist of the total of fund cash balances from all funds as of December 31, 2009. To improve cash management, cash received by the Village is pooled. Monies from all funds, including proprietary funds, are maintained in this pool. Village funds are maintained in several checking accounts as well as invested in the State Treasury Assets Reserves of Ohio (STAR Ohio). Individual fund balance integrity is maintained through the Village's records. Balances of all funds are maintained in these accounts or are temporarily invested in STAR Ohio. All interest receipts are reported in the General Fund unless required by State law or local ordinance. In 2009 interest receipts for the General and Street Construction and Repair funds totaled \$6,084 and \$366 respectively, while interest posted to other funds within the village totaled \$124.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2009.

**H. 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.

**I. 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.

**J. Long-Term Obligations**

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

**K. 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.

**L. 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.

**M. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**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.

**A. Cash on Hand**

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

**B. 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, 2009, \$4,354,212 of the Village's bank balance of \$4,854,212 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.

**C. Investments**

At December 31, 2009 the Village's investments consisted of \$1,586,236 in the STAR Ohio investment pool. STAR Ohio has an average investment maturity of less than one year. STAR Ohio is rated AAA by Standard and Poor's.

- 1. 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.
- 2. Credit Risk:** The Village's investment policy limits investments to those authorized by State statute.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

- 3. 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 STAR Ohio is 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.

**4 BUDGETARY BASIS FUND BALANCES**

Differences between the budgetary basis fund balances and the fund cash balances are due to encumbrances. The table below presents the differences between the net changes in fund balance reported in the Statement of Cash Receipts, Cash Disbursements and Changes in Cash Basis Fund Balances 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:

	<b>General Fund</b>	<b>Street Construction And Repair Fund</b>	<b>Parks and Recreation Fund</b>
Change in Fund Balance – Cash Basis	\$173,878	(\$136,267)	(\$32,594)
Encumbrances	(48,474)	(4,372)	(6,303)
Change in Fund Balance – Budgetary Basis	<u>\$125,404</u>	<u>(\$140,639)</u>	<u>(\$38,897)</u>

**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 2009 for real and public utility property taxes represents collections of the 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) is for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

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. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

2009 tangible personal property taxes are levied after October 1, 2008, on the value as of December 31, 2008. Collections are made in 2009. Tangible personal property assessments are 25 percent of true value for capital assets and 24 percent of true value for inventory.

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

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The full tax rate for all Village operations for the year ended December 31, 2009 was \$11.0 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	\$100,979,520
Public utility Tangible Personal Property Assessed Valuation	266,380
Tangible Personal Property Assessed Valuation	<u>1,002,201</u>
Total	<u>\$102,248,101</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.

**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, 2009, Regional Income Tax Agency (R.I.T.A.) collected income taxes for the Village.

**7. DEFINED BENEFIT PENSION PLANS**

**A. 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 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.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

The Ohio Revised Code provides statutory authority for member and employer contributions. The 2009 member contribution rates were 10.0 percent for members in state and local classifications and 10.1 percent for those in the public safety and law enforcement classifications. The 2009 employer contribution rate for state and local employers was 14.0 percent of covered payroll and 17.63 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, 2009, 2008 and 2007, were \$196,653, \$172,350 and \$164,148 respectively, equal to the required contributions for each year.

**B. 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, 2009, 2008 and 2007 were \$92,823, \$87,643 and \$78,003, respectively; 100 percent has been contributed for 2009, 2008 and 2007.

**8. POST-EMPLOYMENT BENEFITS**

**A. 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.



**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009, state and local employers contributed at a rate of 14.00 percent of covered payroll, and public safety and law enforcement employers contributed at 17.63 percent. The ORC currently limits the employer contributions to a rate not to exceed 14.00 percent of covered payroll for state and local employer units and 18.10 percent for law and public safety employer units. 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 was 7.0 percent from January 1 through March 31, 2009 and 5.5 percent from April 1 through December 31, 2009. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree 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 that was used to fund post-employment benefits for the years ending December 31, 2009, 2008 and 2007 were \$81,811, \$56,617 and \$65,183, 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.

**B. 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.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**8. POST-EMPLOYMENT BENEFITS (Continued)**

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, 2009, 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, 2009, 2008 and 2007 were \$32,117, \$30,324 and \$26,989, respectively; equal to the required contributions of each year.

**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 2009 is as follows:

	<b>Principal Outstanding December 31, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Principal Outstanding December 31, 2009</b>	<b>Principal Due Within One Year</b>
General Obligation Bonds	\$ 830,000		\$90,000	\$ 740,000	\$ 90,000
OWDA Loans Payable	208,978	\$88,854	34,412	263,420	36,556
Total	<u>\$1,038,978</u>	<u>\$88,854</u>	<u>\$124,412</u>	<u>\$1,003,420</u>	<u>\$126,556</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, 2009 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:

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**9. DEBT OBLIGATIONS (Continued)**

<b>Year of Origination</b>	<b>Initial Loan Principal</b>	<b>Interest Rate</b>	<b>Year of Maturity</b>
1988	\$ 112,441	6.16%	2013
1989	\$ 150,979	7.54%	2012
2001	\$ 222,833	5.15%	2016
*2009	\$88,854	2.75%	2031

\*The 2009 OWDA loan has been approved for a total of not to exceed \$911,470, however as of fiscal year ended December 31, 2009, the Village has drawn down only \$88,854. An amortization schedule is 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 2009 loan is not included in the following debt service schedule.

Amortization of the above debt is scheduled as follows:

<b>Year Ending December 31:</b>	<b>G.O. Bonds</b>		<b>OWDA Loans</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2010	\$ 90,000	\$ 36,353	\$ 36,556	\$ 9,736
2011	95,000	32,212	38,837	7,455
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
2015-2016	240,000	18,740	30,668	1,592
Total	<u>\$740,000</u>	<u>\$155,803</u>	<u>\$174,566</u>	<u>\$29,693</u>

**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, 2009 the total of these bonds outstanding was approximately \$4.05 million.

**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.

**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.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**11. JOINT VENTURES WITH EQUITY INTEREST (Continued)**

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

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation of which 134.081MW is the participants' entitlement and 4.569MW are held in reserve. On dissolution of OMEGA JV2, the net assets will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued \$50,260,000 of 20 year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of \$45,904,712 were contributed to OMEGA JV2. The Village's net investment in OMEGA JV2 was \$362,044 at December 31, 2009. 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).

**12. TRANSFERS**

The following is a summary of transfers in and out for all funds in 2009:

<u>Fund</u>	<u>Transfers-In</u>	<u>Transfers-Out</u>
General Fund		\$1,027,384
Street Maintenance & Repair Fund	\$ 250,000	
Parks & Recreation Fund	345,000	48,884
Non-Major Governmental Fund	513,858	
Total Governmental Funds	<u>1,108,858</u>	<u>1,076,268</u>
Electric Fund		32,590
Total Enterprise Funds		<u>32,590</u>
Total Transfers	<u>\$1,108,858</u>	<u>\$1,108,858</u>

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

**13. CONTINGENT LIABILITIES**

**A. 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.

In April, 2008 the Village received proposed Findings and Orders from the Ohio Environmental Protection Agency (OEPA) resulting from unauthorized discharges under the Village's NPDES permit for its wastewater treatment plant including a fine of approximately \$26,000. The fine has been paid in full.

**VILLAGE OF YELLOW SPRINGS  
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
(Continued)**

**13. CONTINGENT LIABILITIES (Continued)**

**B. Federal and State Grants**

For the period January 1, 2009 to December 31, 2009 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.

**14. SUBSEQUENT EVENT**

The Village has begun the planning phase of a construction project to replace its current wastewater treatment plant. The total project is currently estimated to cost between \$2.0 and \$2.5 million. The Village has been approved for a \$1.2 million grant from the Ohio Public Works Commission with the remainder of the cost being a local match. The Village intends to utilize a loan from the Ohio Water Development Authority to finance the entire local match unless other funding sources can be obtained. To date, the Village has expended approximately \$449,382 associated with design engineering.

**15. RESTATEMENT OF BEGINNING BALANCE**

During 2009, the Village reclassified certain expenditures occurring in previous years from the Sewer Capital Improvement Fund to the Sewer Proprietary Fund. In 2008 capital expenditures of \$5,561 were recorded in the Sewer Capital Improvement Fund but it was subsequently determined to record this project within the Sewer Enterprise Fund. As a result of this reclassification of expenditures, the beginning balance reported for the governmental activities, business type activities, other governmental funds, and sewer enterprise funds require the following restatement:

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Non-Major Governmental Funds</b>	<b>Sewer Enterprise Fund</b>
Fund equity reported at 12/31/2008	\$2,799,268	\$3,293,098	\$556,866	\$477,607
Reclassification of capital expenditures Associated with sewer improvements	5,561	(5,561)	5,561	(5,561)
Restated fund equity at 1/1/2009	<u>\$2,804,829</u>	<u>\$3,287,537</u>	<u>\$562,427</u>	<u>\$472,046</u>

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# Mary Taylor, CPA

## 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, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 22, 2010, wherein we 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 noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 22, 2010.

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 "Mary Taylor". The script is cursive and fluid, with the first name "Mary" and last name "Taylor" clearly distinguishable.

**Mary Taylor, CPA**  
Auditor of State

June 22, 2010





**Mary Taylor, CPA**  
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  
AUGUST 12, 2010**