



Dave Yost • Auditor of State

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

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Dave Yost • Auditor of State

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43971

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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Dave Yost
Auditor of State

November 7, 2011

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43971

To the Village Council:

We have audited the accompanying financial statements of Village of Yorkville, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Yorkville, Jefferson County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2011, 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.

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

November 7, 2011

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$76,645	\$9,640	\$18,821	\$105,106
Intergovernmental	370,962	39,735	59,611	470,308
Charges for Services	13,296	4,518		17,814
Fines, Licenses and Permits	8,083			8,083
Earnings on Investments	530			530
Miscellaneous	1,275	48		1,323
Total Cash Receipts	<u>470,791</u>	<u>53,941</u>	<u>78,432</u>	<u>603,164</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	167,598	27,033		194,631
Transportation	21,008	16,159		37,167
General Government	136,848			136,848
Debt Service:				
Redemption of Principal			11,954	11,954
Interest and Fiscal Charges			15,838	15,838
Capital Outlay	8,316		115,797	124,113
Total Cash Disbursements	<u>333,770</u>	<u>43,192</u>	<u>143,589</u>	<u>520,551</u>
Total Receipts Over/(Under) Disbursements	<u>137,021</u>	<u>10,749</u>	<u>(65,157)</u>	<u>82,613</u>
Other Financing Receipts / (Disbursements):				
Proceeds from Sale of Public Debt:				
Sale of Notes			50,000	50,000
Transfers-Out	(20,000)			(20,000)
Total Other Financing Receipts / (Disbursements)	<u>(20,000)</u>		<u>50,000</u>	<u>30,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	117,021	10,749	(15,157)	112,613
Fund Cash Balances, January 1	<u>179,392</u>	<u>236,763</u>	<u>70,849</u>	<u>487,004</u>
Fund Cash Balances, December 31	<u>\$296,413</u>	<u>\$247,512</u>	<u>\$55,692</u>	<u>\$599,617</u>

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$254,286		\$254,286
Miscellaneous	7,091		7,091
Total Operating Cash Receipts	<u>261,377</u>		<u>261,377</u>
Operating Cash Disbursements:			
Personal Services	145,146		145,146
Contractual Services	94,872		94,872
Supplies and Materials	32,869		32,869
Other	450		450
Total Operating Cash Disbursements	<u>273,337</u>		<u>273,337</u>
Operating Income/(Loss)	<u>(11,960)</u>		<u>(11,960)</u>
Non-Operating Cash Receipts:			
Other Non-Operating Cash Receipts		\$271,084	271,084
Total Non-Operating Cash Receipts		<u>271,084</u>	<u>271,084</u>
Non-Operating Cash Disbursements:			
Capital Outlay	42,524		42,524
Redemption of Principal	6,263		6,263
Interest and Other Fiscal Charges	7,526		7,526
Other Non-Operating Cash Disbursements		268,804	268,804
Total Non-Operating Cash Disbursements	<u>56,313</u>	<u>268,804</u>	<u>325,117</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(68,273)	2,280	(65,993)
Transfers-In	20,000		20,000
Net Receipts Over/(Under) Disbursements	(48,273)	2,280	(45,993)
Fund Cash Balances, January 1	248,430	22,136	270,566
Fund Cash Balances, December 31	<u>\$200,157</u>	<u>\$24,416</u>	<u>\$224,573</u>

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property and Local Taxes	\$79,078	\$19,574	\$19,115	\$117,767
Intergovernmental	185,590	26,602	9,584	221,776
Charges for Services	18,559	6,900	2,250	27,709
Fines, Licenses and Permits	5,998			5,998
Earnings on Investments	9,566	802		10,368
Miscellaneous	3,882	4,846		8,728
	<u>302,673</u>	<u>58,724</u>	<u>30,949</u>	<u>392,346</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	154,816	23,838		178,654
Transportation	14,116	18,937		33,053
General Government	132,454	13,087		145,541
Debt Service:				
Redemption of Principal			15,544	15,544
Interest and Fiscal Charges			19,827	19,827
Capital Outlay	6,718		9,092	15,810
	<u>308,104</u>	<u>55,862</u>	<u>44,463</u>	<u>408,429</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(5,431)</u>	<u>2,862</u>	<u>(13,514)</u>	<u>(16,083)</u>
Fund Cash Balances, January 1	<u>184,823</u>	<u>233,901</u>	<u>84,363</u>	<u>503,087</u>
Fund Cash Balances, December 31	<u>\$179,392</u>	<u>\$236,763</u>	<u>\$70,849</u>	<u>\$487,004</u>

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$265,784		\$265,784
Miscellaneous	224		224
Total Operating Cash Receipts	<u>266,008</u>		<u>266,008</u>
Operating Cash Disbursements:			
Personal Services	134,354		134,354
Contractual Services	102,254		102,254
Supplies and Materials	19,941		19,941
Other	580		580
Total Operating Cash Disbursements	<u>257,129</u>		<u>257,129</u>
Operating Income/(Loss)	<u>8,879</u>		<u>8,879</u>
Non-Operating Cash Receipts:			
Earnings on Investments	119		119
Other Non-Operating Cash Receipts		\$268,429	268,429
Total Non-Operating Cash Receipts	<u>119</u>	<u>268,429</u>	<u>268,548</u>
Non-Operating Cash Disbursements:			
Capital Outlay	16,200		16,200
Redemption of Principal	3,608		3,608
Interest and Other Fiscal Charges	4,599		4,599
Other Non-Operating Cash Disbursements		286,235	286,235
Total Non-Operating Cash Disbursements	<u>24,407</u>	<u>286,235</u>	<u>310,642</u>
Net Receipts Over/(Under) Disbursements	(15,409)	(17,806)	(33,215)
Fund Cash Balances, January 1	<u>263,839</u>	<u>39,942</u>	<u>303,781</u>
Fund Cash Balances, December 31	<u>\$248,430</u>	<u>\$22,136</u>	<u>\$270,566</u>

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Yorkville, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, and general government services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values Certificates of Deposits at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fire Levy Fund – This fund receives proceeds from a tax levy and is used for supplies and equipment for the fire department.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

Village Equipment Fund – This fund receives tax money and is used to purchase equipment for various departments in the Village.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Sanitation Fund - This fund receives charges for services from residents to cover sanitation costs.

5. Fiduciary Funds

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

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund holds monies from which payroll expenditures are made.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

The Village maintains a deposit pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits at December 31 was as follows:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$820,068	\$753,448
Certificates of deposit	4,122	4,122
Total deposits	<u>\$824,190</u>	<u>\$757,570</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$350,000	\$470,791	\$120,791
Special Revenue	138,000	53,941	(84,059)
Capital Projects	150,000	128,432	(21,568)
Enterprise	285,000	281,377	(3,623)
Total	\$923,000	\$934,541	\$11,541

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$500,000	\$353,770	\$146,230
Special Revenue	236,940	43,192	193,748
Capital Projects	123,000	143,589	(20,589)
Enterprise	362,000	329,650	32,350
Total	\$1,221,940	\$870,201	\$351,739

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$400,000	\$302,673	(\$97,327)
Special Revenue	101,040	58,724	(42,316)
Capital Projects	53,000	30,949	(22,051)
Enterprise	355,000	266,127	(88,873)
Total	\$909,040	\$658,473	(\$250,567)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$308,104	(\$308,104)
Special Revenue		55,862	(55,862)
Capital Projects		44,463	(44,463)
Enterprise		281,536	(281,536)
Total		\$689,965	(\$689,965)

Contrary to Ohio law, the Village did not approved appropriations for 2009 as a result, budgetary expenditures exceeded appropriation authority in all funds by 100% for the year ended December 31, 2009. Budgetary expenditures also exceeded appropriation authority in Village Equipment, Water Revenue, and Sanitation Revenues Funds by \$35,165, \$16,595, and 8,015, respectively for the year ended December 31, 2010.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2010 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #2949	\$10,663	6.58%
Ohio Water Development Authority Loan #4765	487,373	4.47%
UDA Bonds	50,000	4.00%
Total	<u>\$548,036</u>	

The Ohio Water Development Authority (OWDA) loan #2949 relates to a water and sewer expansion project mandated by the Ohio Environmental Protection Agency. The OWDA approved \$20,327 in loans to the Village for this project. The Village will repay the loan in semiannual installments of \$839, including interest, over 25 years. Water and sewer receipts collateralize the loan and the Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The Ohio Water Development Authority (OWDA) loan #4765 relates to a catch basin improvement project mandated by the Ohio Environmental Protection Agency. The OWDA approved \$541,409 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$20,617, including interest, over 20 years. Water and sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The United States Development Authority (USDA) Bonds were used to purchase a Garbage Packer for use by the sanitation department. The USDA approved \$50,000 in bonds to the Village for the packer. The Village will repay the bonds in semiannual installments over 10 years. The packer collateralizes the debt and the Village has agreed to set utility rates sufficient to cover USDA debt service requirements.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

5. DEBT - (Continued)

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

Year ending December 31:	OWDA Loan 2949	OWDA Loan 4765	USDA Bonds
2011	\$1,679	\$41,233	\$6,200
2012	1,679	41,233	6,132
2013	1,679	41,233	6,160
2014	1,679	41,233	6,180
2015	1,679	41,233	6,192
2016-2020	5,876	206,163	30,776
2021-2025		206,163	
2026-2027		82,465	
Total	<u>\$14,271</u>	<u>\$700,956</u>	<u>\$61,640</u>

6. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. COMPLIANCE

Contrary to Ohio Revised Code, the Village received levy proceeds which were not posed to the correct fund. Also, contrary to Ohio Revised Code, the Clerk/Treasurer did not accurately and correctly record all monies received and expended by the Village and did not maintain accounting records as required.



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 Yorkville
Jefferson County
139 Market Street
Yorkville, OH 43917-1217

To Village Council:

We have audited the financial statements of the Village of Yorkville, Jefferson County, (the Village) as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated November 7, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-03 described in the accompanying schedule of findings to be a material weakness.

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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 7, 2011.

The Village's responses to the findings 2010-01 and 2010-05 identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them. The officials did not respond to items 2010-02, 2010-03 and 2010-04.

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



Dave Yost
Auditor of State

November 7, 2011

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER - 2010-01

Finding for Recovery Repaid Under Audit

The Ohio Office of Budget and Management issues warrants to the Village for various types of revenue including Gasoline Excise Tax, State and Local Government Highway Distribution, Grants, and Homestead and Rollback monies. During 2009 and 2010 many of the checks were incorrectly received and cashed by the Yorkville Volunteer Fire Department. These payments totaled \$43,067 in 2009 and \$35,675 in 2010.

In accordance with the foregoing facts, and pursuant to the Ohio Revised Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against the Yorkville Volunteer Fire Department in the amount of \$78,742 (\$43,067 for 2009 and \$35,675 for 2010) and in favor of the following funds of the Village of Yorkville.

Fund	2009	2010	Total
General	\$7,827	\$7,883	\$15,710
Street Construction, Maintenance & Repair	\$30,197	\$21,319	\$51,516
State Highway	\$2,448	\$1,729	\$4,177
Fire Levy	\$468	\$514	\$982
Trauma Grant		\$2,071	\$2,071
Sewer Debt	\$2,127	\$2,159	\$4,286
Total	\$43,067	\$35,675	\$78,742

Official's Response: The Yorkville Volunteer Fire Department repaid the Village \$78,742 on October 27, 2011.

FINDING NUMBER - 2010-02

Noncompliance Citation

Ohio Revised Code Section 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officers' certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively of the Ohio Revised Code.

**FINDING NUMBER - 2010-02
(Continued)**

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the clerk/treasurers' certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

If the amount involved is less than \$3,000 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of Village council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal Officer may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The Village did not properly certify 92% of tested expenditures in 2009 and 2010.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

The Village should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires authorizing disbursements. The clerk/treasurer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The Village should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER - 2010-03

Noncompliance Citation/Material Weakness

Ohio Revised Code Section 733.28 states that the village clerk shall keep the books of the village, exhibit accurate statement of all monies received and expended, of all the property owned by the village and income derived therefrom, and of all the taxes and assessments. **Ohio Revised Code Section 733.43** states the village treasurer of a municipal corporation shall keep an accurate account, of: all monies received by him, showing the amount thereof, the time received, from whom, and on what account received; and all disbursements made by him, showing the amount thereof, the time thereof, the time made, to whom, and on what account paid. **Ohio Revised Code Section 733.261(C)** states that the village clerk/treasurer shall perform the duties provided by law for the clerk and the treasurer.

The Village Clerk/Treasurer did not record all monies received and expended by the Village during 2009 and 2010 and did not prepare accurate monthly bank to book reconciliations. There were several posting errors, noted during the As a result, the village's accounting records were reconstructed by Local Government Services. . Adjustments, which were posted by Local Government Services, to various funds for unrecorded items and items that were improperly recorded in 2010 and 2009 totaled \$22,445 and \$30,761, respectively. The accompanying financial statements reflect these adjustments.

The Clerk/Treasurer did not correctly post other receipts and disbursements in 2009 and 2010, resulting in the following adjustments and reclassifications to the financial statements we identified during our audit. The Village Clerk/Treasurer and management have agreed to and posted the adjustments to the Village's accounting records. The adjusted and reclassified amounts are reflected in the accompanying financial statements.

2009:

Fund	Proper Account	Amount	Description
Eastern Ohio Regional Transit Authority	Local Taxes Revenue	\$5,544	Amount was not posted.
Eastern Ohio Regional Transit Authority	General Government Expenditures	\$5,544	Amount was not posted.

2010:

Fund	Proper Account	Amount	Description
Permissive Motor Vehicle License Tax	Local Taxes Revenue	\$3,259	Recorded as intergovernmental revenue.
Village Equipment	Loan Proceeds	\$50,000	Recorded as intergovernmental revenue

The Clerk/Treasurer should record all financial activity of the Village in the receipts ledger, appropriation ledger, and cash journal, as appropriate, so that accurate statements of all monies received and expended can be prepared. The Village Clerk/Treasurer should perform monthly bank reconciliations. Detailed supporting documentation for all reconciling items should be maintained.

The Clerk/Treasurer should refer to Auditor of State Bulletin 2000-008, which provides guidance on accounting for on behalf programs when a local government or its residents are beneficiaries of the program. Eastern Ohio Regional Transit Authority tax monies are collected and distributed to the agency by the County Auditor on behalf of the Village. In addition, the Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability.

The Village should adopt procedures for the review of posted transactions, reconciliations and subsequent reporting of the financial statements.

FINDING NUMBER - 2010-04

Noncompliance Citation

Ohio Revised Code Section 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village Council did not adopt an appropriation measure for 2009 and expenditures are limited by the appropriations established for each fund; therefore, all expenditures made by the Village in 2009 (\$689,965) were not in compliance with the Ohio Revised Code.

In 2010, expenditures exceeded appropriations in the following funds:

Fund	Appropriation Amount	Expenditure Amount	Variance
Village Equipment	\$80,000	\$115,165	(\$35,165)
Water Revenue	\$107,000	\$123,595	(\$16,595)
Sanitation Revenue	\$70,000	\$78,015	(\$8,015)

Failure to pass an appropriation measure and failure to monitor the expenditures and appropriation could result in overspending. The Village should pass an appropriation measure as required and the Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk/Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER - 2010-05

Noncompliance Citation

Ohio Revised Code Section 5705.10(A) requires all revenue derived from the general levy for current expenses within the ten-mill limitation, from any general levy for current expense authorization by vote in excess of the ten-mill limitation, and from sources other than the general property tax, not designated for a specific purpose, to be paid to the general fund.

The Village did not properly record Current Expense Levy proceeds in the General Fund. The following adjustments and reclassifications to the financial statements resulted. The Village fiscal officer and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

2009

Fund	Account Type	Amount
General	Local Taxes	\$14,837
Fire Levy	Local Taxes	(\$13,852)
Sewer Maintenance	Local Taxes	(\$985)

2010

Fund	Account Type	Amount
General	Local Taxes	\$21,828
Fire Levy	Local Taxes	(\$21,828)

Village levy proceeds should be posted to the correct funds in accordance with the levy's purpose. This will help ensure proper compliance, accurate reporting, and proper use of public funds.

Official's Response:

We did not receive a response from officials to findings 2010-02 through 2010-05 reported above.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2008-001	Ohio Revised Code Section 5705.41(B) – Expenditures exceed appropriations	No	Reissued as finding number #2010-04
2008-002	Failure to correctly post receipts and expenditures	No	Reissued as finding number # 2010- 03.

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Dave Yost • Auditor of State

VILLAGE OF YORKVILLE

JEFFERSON 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
JANUARY 17, 2012**