



**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2000-1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Village of Yankee Lake  
Trumbull County  
P.O. Box 126  
Brookfield, Ohio 44403

To the Village Council:

We have audited the financial statements of the Village of Yankee Lake, Trumbull County, Ohio, (the Village) as of and for the years ended December 31, 2000 and December 31, 1999. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Yankee Lake, Trumbull County, as of December 31, 2000 and December 31, 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

As further discussed in Note 7, the General Fund had a negative fund balances as December 31, 1999 and 2000, and the Village failed to make certain payroll tax and retirement system contributions for 1999 and 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of, management, and Village Council and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 19, 2001

**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$4,912		\$4,912
Intergovernmental Receipts	4,211	483	4,694
Miscellaneous	434	199	633
<b>Total Cash Receipts</b>	<u>9,557</u>	<u>682</u>	<u>10,239</u>
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	1,458		1,458
Transportation		367	367
General Government	9,825	50	9,875
<b>Total Disbursements</b>	<u>11,283</u>	<u>417</u>	<u>11,700</u>
Total Receipts Over/(Under) Disbursements	<u>(1,726)</u>	<u>265</u>	<u>(1,461)</u>
<b>Other Financing Receipts/(Disbursements):</b>			
Sale of Bonds or Notes		8,550	8,550
<b>Total Other Financing Receipts/(Disbursements)</b>		<u>8,550</u>	<u>8,550</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,726)	8,815	7,089
Fund Cash Balances January 1, 2000	<u>(471)</u>	<u>3,106</u>	<u>2,635</u>
<b>Fund Cash Balances, December 31, 2000</b>	<u><b>(\$2,197)</b></u>	<u><b>\$11,921</b></u>	<u><b>\$9,724</b></u>

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

VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property Tax and Other Local Taxes	\$4,651		\$4,651
Intergovernmental Receipts	4,103	588	4,691
Miscellaneous	487		487
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	9,241	588	9,829
<b>Cash Disbursements:</b>			
Current:			
Security of Persons and Property	2,035		2,035
Transportation		325	325
General Government	17,402		17,402
	<hr/>	<hr/>	<hr/>
Total Disbursements	19,437	325	19,762
Total Receipts Over/(Under) Disbursements	<hr/> (10,196)	<hr/> 263	<hr/> (9,933)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(10,196)	263	(9,933)
Fund Cash Balances January 1, 1999	<hr/> 9,725	<hr/> 2,843	<hr/> 12,568
<b>Fund Cash Balances, December 31, 1999</b>	<hr/> <b>(\$471)</b> <hr/>	<hr/> <b>\$3,106</b> <hr/>	<hr/> <b>\$2,635</b> <hr/>

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



**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2000 AND 1999**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Yankee Lake, Trumbull County (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including street lighting and snow removal. Street repair and maintenance. The Village contracts with Brookfield Township for police and fire protection services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which 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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from 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.

*State Highway Fund* - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing State owned roads within the Village.

**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2000 AND 1999  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

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

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**E. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**2. EQUITY IN POOLED CASH**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>2000</u>	<u>1999</u>
Demand deposits	\$9,724	\$2,635

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 11,905	\$ 9,557	\$ (2,348)
Special Revenue	400	9,232	8,832
Capital Projects	70,480	0	(70,480)
Total	\$ 82,785	\$ 18,789	\$ (63,996)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 15,770	\$ 11,283	\$ 4,487
Special Revenue	10,824	417	10,407
Capital Projects	70,480	0	70,480
Total	\$ 97,074	\$ 11,700	\$ 85,374

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 11,893	\$ 9,241	\$ (2,652)
Special Revenue	750	588	(162)
Total	\$ 12,643	\$ 9,829	\$ (2,814)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 19,437	\$ 19,437	\$ 0
Special Revenue	1,325	325	1,000
Total	\$ 20,762	\$ 19,762	\$ 1,000

**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2000 AND 1999  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

Contrary to Ohio law, the appropriations exceed the amounts certified as available for appropriations by the budget commission in the following amounts for the fiscal year ending December 31, 2000: General Fund \$4,273; Street Construction and Maintenance and Repair Fund \$7,438. Also contrary to Ohio law the estimated receipts exceeded actual receipts in the General Fund for the years ending December 31, 1999 and December 31, 2000 in the following amounts: 1999 \$2,652; 2000 General Fund \$2,348.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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, 2000 was as follows:

	Principal	Interest Rate
General Obligation Note	\$8,550	14.50%

The general obligation notes were issued to provide the Village's local share of the Street and Safety Upgrade Project.

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

Year ending December 31:	General Obligation Notes
2001	\$9,790

**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF DECEMBER 31, 2000 AND 1999  
(Continued)**

**6. RETIREMENT SYSTEMS**

The Public Employees Retirement System of Ohio (PERS) is a state operated, cost-sharing, multiple-employer public employee retirement system. PERS provides retirement benefits to vested employees who are eligible to retire based upon years of service. PERS also provides survivor and disability benefits to vested employees.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% in 1999 and 10.84 % in 2000 of participants gross salaries. The Village has not paid all contributions required through December 31, 1999 or December 31, 2000. Contrary to Ohio law the Village failed to accumulate and contribute the Employee and Employers shares for the Public Employees Retirement System (PERS) for the fiscal years ending December 31, 1999 and 2000.

**7. NEGATIVE FUND BALANCES AND CONTINGENCIES**

Contrary to Ohio Law the Village had negative General Fund balances of \$471 as of December 31, 1999, and \$2,197 as of December 31, 2000. These negative balances were a result of adjustments to the financial statements during 1999 and 2000 for funds that were improperly transferred to the general fund from Special Revenue Funds. Ohio law restricts the ability of a public entity to transfer funds from Special Revenue Funds. As of the date of this report management has not developed a plan of action to reduce the deficit General Fund balance.

In addition, the Village withheld amounts from the Village Clerk's pay (the Village's only paid employee) for retirement system contributions and certain payroll taxes. The Village did not remit employee withholdings to the appropriate agencies nor did the Village contribute the employer share of retirement system contributions and certain payroll taxes. For January 1, 1999 through December 31, 2000 employee withholdings totaled approximately \$1,730 , and required employer contributions were \$3,117. As of the date of this report the Village has contacted the appropriate agencies and has begun negotiating settlements. The Village is unable to estimate the penalties and interest, if any, that may be assessed.

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**REPORT OF INDEPENDENT ACCOUNTS ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Yankee Lake  
Trumbull County  
P.O. Box 126  
Brookfield, Ohio 44403

To the Village Council:

We have audited the financial statements of the Village of Yankee Lake, Trumbull County, Ohio (the Village), as of and for the years ended December 31, 2000 and December 31, 1999, and have issued our report thereon dated November 19, 2001, which included a reference to disclosures regarding negative fund balances and the Villages failure to make certain payroll tax and retirement system contributions. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**COMPLIANCE**

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations contracts, and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported herein under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2000-31178-001 through 2000-31178-008. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated November 19, 2001.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated November 19, 2001.

Village of Yankee Lake  
Trumbull County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by Government Auditing Standards  
Page 2

This report is intended for the information and use of the Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

November 19, 2001



**VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2000 AND 1999**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2000-31178-001**

Ohio Revised Code, Section 5705.39 provides that appropriations from each fund shall not exceed the estimated revenue available for expenditure as certified by the county budget commission.

For the year ending December 31, 2000 appropriations exceed the amount certified as available by the county budget commission for the following funds: General Fund in the amount of \$4,273 and the Street Construction, Maintenance and Repair Fund in the amount of \$7,438.

We recommend the Village develop control procedures to ensure compliance with the aforementioned requirement.

**FINDING NUMBER 2000-31178-002**

Ohio Rev. Code Section 5705.36 provides, in part, that a reduced amended certificate must be obtained if it becomes apparent that actual receipts will be less than estimated and the amount of the deficiency will reduce available resources below the current level of appropriation.

The Village's General Fund had estimated resources exceeding actual receipts and unencumbered fund balances for the fiscal years ending December 31, 1999 and 2000, in the following amounts:

2000: \$2,348.

1999: \$2,652

The Village's failure to obtain a reduced certificate and reduce appropriations, contributed to the General Fund having deficit balances as noted in Finding Number 2000-31178-008.

We recommend that the Village more closely monitor the budget versus actual receipts. If it becomes apparent that the actual resources will fall below estimated resources and the appropriations, the Village should obtain a reduced amended certificate and reduce the appropriations accordingly.

**FINDING NUMBER 2000-31178-003**

Ohio Revised Code Sections 145.47 and 145.48, require the Village to accumulate and contribute the Employee and the Employers shares of contributions for the Public Employees Retirement System (PERS) on behalf of the Village's qualified employees.

For 1999 and 2000 the Village withheld employee's contributions at the rate of 5.3 % in 1999 and 5.8% in 2000 rather than at 8.5%, the required percentage. These amounts were placed in the Village's general checking account and not remitted to PERS. Additionally, for 1999 and 2000 the Village failed to calculate or submit the employers contribution (13.55 % in 1999 and 10.84% in 2000) of gross wages for the Village's Clerk, the only qualified employee. Gross payroll for 1999 and 2000 was \$13,738 and 8,635 respectively.

We recommend the Village contact PERS to discuss viable options for the remittance of these contributions. The Village should also establish policies and procedures to help ensure proper withholding and remittance.

**FINDING NUMBER 2000-31178-004**

Section 3102, Internal Revenue Regulation, provides that every employer making payment of compensation to an employee hired on or after April 1, 1986 shall deduct from such compensation Social Security Medicare Taxes. The contribution rate for this coverage is 1.43% of the gross payroll for an employee and an equal amount to be contributed by the employer.

The Village deducted Social Security Medicare Taxes at a contribution rate of 1.7% in 1999 and 1.8% in 2000 of the gross payroll for the Clerk's salary (the only Village employee subject to such tax). These withholdings were placed in the Village's general checking account and the Village failed to contribute these funds to the proper agency. The Village also failed to calculate and submit the Employers contribution to the proper agency. Gross payroll for 1999 and 2000 was \$13,738 and \$8,635 respectively.

We recommend the Village develop controls to help ensure compliance with this section of the Internal Revenue Regulations and the Village contact the proper agency to discuss viable options for the remittance of these contributions.

**FINDING NUMBER 2000-31178-005**

Section 3401 through 3406, Internal Revenue Regulations require the withholding of income taxes from wages. The Village failed to withhold federal income taxes from the Clerk's salary for the fiscal years ending December 31, 1999 and 2000. Gross payroll for 1999 and 2000 was \$13,738 and \$8,635 respectively.

We recommend that the Village develop controls that will help ensure compliance to the aforementioned Sections of the Internal Revenue Regulations.

**FINDING NUMBER 2000-31178-006**

Ohio Revised Code, Section 5705.46, provides that every employer making payment of compensation to an employee who is a taxpayer shall withhold from such compensation state income tax computed in such a manner as to result in an amount substantially equivalent to the tax reasonably estimated to be due.

The Village withheld .5% of the Village Clerk's gross payroll (the only Village employee subject to such withholdings) for State income tax for the years ending December 31, 1999 and 2000. These withholdings were placed in the Village's general checking account and the Village failed to contribute these funds to the proper agency. Gross payroll for 1999 and 2000 was \$13,738 and \$8,635 respectively.

We recommend that the Village establish procedures to ensure compliance with this section of the Ohio Revised Code and the Village contact the proper agency to discuss viable options for the remittance of these contributions.

**FINDING NUMBER 2000-31178-007**

Ohio Revised Code, Section 5705.14 permits certain transfers to be made by the Village by resolution. However, certain transfers are not permitted. Transferring from a restricted fund to the General Fund is not permitted except within very limited circumstances. During the fiscal year ending December 31, 1999, the Village transferred \$1,000 from the Street Construction, Maintenance and Repair Fund, a restricted Special Revenue Fund, to the General Fund. During the year ending December 31, 2000 the Village transferred \$1,260 from the State Highway Fund a restricted Special Revenue Fund, to the General Fund. The transfers made in these two instances would not be permitted within the limited circumstances prescribed by this Section. The results of these transfers would have been overstating the General Fund balances at each years end and understating the appropriate Special Revenue Fund at each years end. However, the Village has made the necessary adjustments to the financial statements to correct these over and under stated Fund balances.

We recommend that the Village review Ohio Revised Code Section 5705.14 and develop procedures that will help ensure compliance to this section.

**FINDING NUMBER 2000-31178-008**

Ohio Revised Code, Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenditures of another fund.

The Village's General Fund maintained negative fund balances of \$471 as of the fiscal year ending December 31, 1999 and \$2,197 as of the fiscal year ending December 31, 2000.

We recommend the Village follow budgetary requirements and monitor the budget to prevent negative fund balances.

VILLAGE OF YANKEE LAKE  
TRUMBULL COUNTY  
DECEMBER 31, 2000, and 1999

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	Not Corrected
1998-31178-001	The Village failed to comply with Ohio Revised Code Section 5705.46.	This finding was uncorrected and was reissued as finding # 2000-31178-006.



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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**VILLAGE OF YANKEE LAKE**

**TRUMBULL 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**  
**DECEMBER 20, 2001**