



**Auditor of State
Betty Montgomery**

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

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 the Village of Yorkville, Jefferson County, (the Village) as of and for the years ended December 31, 2002 and 2001. 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 Yorkville, Jefferson County, as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2003 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, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 27, 2003

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, 2002**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$110,783	\$24,961	\$9,457	\$26,953	\$172,154
Special Assessments				25	25
Intergovernmental Receipts	82,893	39,707	19,432	1,442	143,474
Charges for Services	255				255
Fines, Licenses, and Permits	24,217				24,217
Earnings on Investments	13,288				13,288
Miscellaneous	6,867	83			6,950
Total Cash Receipts	<u>238,303</u>	<u>64,751</u>	<u>28,889</u>	<u>28,420</u>	<u>360,363</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	137,200	19,477			156,677
Community Environment	564	138			702
Transportation		38,055			38,055
General Government	75,640		116		75,756
Debt Service:					
Principal Payments			24,439		24,439
Interest Payments			26,773		26,773
Financing and Other Debt-Service Related			149		149
Capital Outlay				10,344	10,344
Total Cash Disbursements	<u>213,404</u>	<u>57,670</u>	<u>51,477</u>	<u>10,344</u>	<u>332,895</u>
Total Receipts Over/(Under) Disbursements	<u>24,899</u>	<u>7,081</u>	<u>(22,588)</u>	<u>18,076</u>	<u>27,468</u>
Other Financing Receipts and (Disbursements):					
Transfers-In		4,000			4,000
Transfers-Out	(4,000)				(4,000)
Total Other Financing Receipts/(Disbursements)	<u>(4,000)</u>	<u>4,000</u>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>20,899</u>	<u>11,081</u>	<u>(22,588)</u>	<u>18,076</u>	<u>27,468</u>
Fund Cash Balances, January 1	<u>259,983</u>	<u>216,491</u>	<u>300,331</u>	<u>127,200</u>	<u>904,005</u>
Fund Cash Balances, December 31	<u>\$280,882</u>	<u>\$227,572</u>	<u>\$277,743</u>	<u>\$145,276</u>	<u>\$931,473</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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$272,081		\$272,081
Miscellaneous	192		192
Total Operating Cash Receipts	<u>272,273</u>		<u>272,273</u>
Operating Cash Disbursements:			
Personal Services	127,718		127,718
Contractual Services	44,805		44,805
Supplies and Materials	35,040		35,040
Capital Outlay	117		117
Total Operating Cash Disbursements	<u>207,680</u>		<u>207,680</u>
Operating Income/(Loss)	<u>64,593</u>		<u>64,593</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	12,233		12,233
Other Non-Operating Receipts	793	\$246,279	247,072
Total Non-Operating Cash Receipts	<u>13,026</u>	<u>246,279</u>	<u>259,305</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>22,804</u>	<u>244,029</u>	<u>266,833</u>
Total Non-Operating Cash Disbursements	<u>22,804</u>	<u>244,029</u>	<u>266,833</u>
Net Receipts Over/(Under) Disbursements	54,815	2,250	57,065
Fund Cash Balances, January 1	<u>57,667</u>	<u>28,060</u>	<u>85,727</u>
Fund Cash Balances, December 31	<u>\$112,482</u>	<u>\$30,310</u>	<u>\$142,792</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, 2001**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$113,216	\$25,475	\$9,832	\$27,440	\$175,963
Special Assessments		924		25	949
Intergovernmental Receipts	76,256	52,539	23,930	1,440	154,165
Charges for Services	151				151
Fines, Licenses, and Permits	6,330				6,330
Earnings on Investments	23,261				23,261
Miscellaneous	21,801	1,510		650	23,961
Total Cash Receipts	<u>241,015</u>	<u>80,448</u>	<u>33,762</u>	<u>29,555</u>	<u>384,780</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	140,803	27,879			168,682
Transportation		44,156			44,156
General Government	116,961	11,783	94	655	129,493
Debt Service:					
Principal Payments			22,042	500	22,542
Interest Payments			29,274		29,274
Capital Outlay				17,206	17,206
Total Cash Disbursements	<u>257,764</u>	<u>83,818</u>	<u>51,410</u>	<u>18,361</u>	<u>411,353</u>
Total Receipts Over/(Under) Disbursements	<u>(16,749)</u>	<u>(3,370)</u>	<u>(17,648)</u>	<u>11,194</u>	<u>(26,573)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	3,601			150	3,751
Transfers-Out	(10,257)	(11,747)			(22,004)
Total Other Financing Receipts/(Disbursements)	<u>(6,656)</u>	<u>(11,747)</u>		<u>150</u>	<u>(18,253)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(23,405)</u>	<u>(15,117)</u>	<u>(17,648)</u>	<u>11,344</u>	<u>(44,826)</u>
Fund Cash Balances, January 1	<u>283,388</u>	<u>231,608</u>	<u>317,979</u>	<u>115,856</u>	<u>948,831</u>
Fund Cash Balances, December 31	<u>\$259,983</u>	<u>\$216,491</u>	<u>\$300,331</u>	<u>\$127,200</u>	<u>\$904,005</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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$256,524		\$256,524
Miscellaneous	73		73
Total Operating Cash Receipts	<u>256,597</u>		<u>256,597</u>
Operating Cash Disbursements:			
Personal Services	120,029		120,029
Contractual Services	33,443		33,443
Supplies and Materials	59,984		59,984
Total Operating Cash Disbursements	<u>213,456</u>		<u>213,456</u>
Operating Income/(Loss)	<u>43,141</u>		<u>43,141</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	12,407		12,407
Other Non-Operating Receipts	3,044	\$248,974	252,018
Total Non-Operating Cash Receipts	<u>15,451</u>	<u>248,974</u>	<u>264,425</u>
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements	<u>24,259</u>	<u>256,030</u>	<u>280,289</u>
Total Non-Operating Cash Disbursements	<u>24,259</u>	<u>256,030</u>	<u>280,289</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	34,333	(7,056)	27,277
Transfers-In	<u>18,253</u>		<u>18,253</u>
Net Receipts Over/(Under) Disbursements	52,586	(7,056)	45,530
Fund Cash Balances, January 1	<u>5,081</u>	<u>35,116</u>	<u>40,197</u>
Fund Cash Balances, December 31	<u>\$57,667</u>	<u>\$28,060</u>	<u>\$85,727</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Yorkville, Jefferson 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 water and sewer utilities, park operations, and police services. The Village contracts with the Yorkville Volunteer Fire Department to provide fire protection service.

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. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued 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 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 Fund

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.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Levy Fund – This fund receives money for the purpose of providing fire protection within the Village.

3. Debt Service Fund

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following debt service fund:

Bond Voted Debt – This fund is used to retire loans through the Ohio Water Development Authority. Loans were for the completion of water and sewer projects mandated by the Ohio Environmental Protection Agency.

4. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

Village Equipment Fund - This fund is used to purchase equipment for the various Village departments.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitation Fund – This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Funds (Agency Funds)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary funds

Payroll Clearing Fund – This fund was established to hold 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, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Appropriations

Budgetary expenditures (that is, disbursements) may not exceed appropriations at the fund, function or object 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. 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 commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$740,225	\$667,033
Certificates of deposit	334,040	322,699
Total deposits	<u>\$1,074,265</u>	<u>\$989,732</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by securities specifically pledged by the financial institution to the Village.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,000	\$238,303	(\$11,697)
Special Revenue	90,577	68,751	(21,826)
Debt Service	26,000	28,889	2,889
Capital Projects	25,100	28,420	3,320
Enterprise	285,529	285,299	(230)
Total	<u>\$677,206</u>	<u>\$649,662</u>	<u>(\$27,544)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$349,420	\$217,404	\$132,016
Special Revenue	120,700	57,670	63,030
Debt Service	84,000	51,477	32,523
Capital Projects	60,000	10,344	49,656
Enterprise	276,000	230,484	45,516
Total	<u>\$890,120</u>	<u>\$567,379</u>	<u>\$322,741</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,600	\$244,616	(\$5,984)
Special Revenue	81,198	80,488	(710)
Debt Service	49,309	33,762	(15,547)
Capital Projects	31,399	29,705	(1,694)
Enterprise	246,510	290,301	43,791
Total	<u>\$659,016</u>	<u>\$678,872</u>	<u>\$19,856</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$300,000	\$268,021	\$31,979
Special Revenue	20,000	95,565	(75,565)
Debt Service	92,000	51,410	40,590
Capital Projects	72,000	18,361	53,639
Enterprise	229,825	237,715	(7,890)
Total	<u>\$713,825</u>	<u>\$671,072</u>	<u>\$42,753</u>

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

The Village did not properly certify and encumber funds prior to making purchases. This is in violation of Ohio Revised Code § 5704.41(D).

Contrary to Ohio Revised Code § 57005.41(B), the following funds had expenditures, which exceeded appropriations in 2001.

Fund	Expenditures	Appropriations	Variance
Fire Levy	\$27,879	\$0	\$(27,879)
Street Construction Maintenance and Repair	\$33,794	\$20,000	\$(13,794)
State Highway	\$2,698	\$0	\$(2,698)
Permissive Tax	\$7,807	\$0	\$(7,807)
FEMA	\$15,572	\$0	\$(15,572)
Water Revenue	\$89,022	\$75,000	\$(14,022)
Sewer Revenue	\$100,960	\$95,600	\$(5,360)

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 payments, 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, 2002 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan (#644)	\$209,672	10.98%
Ohio Water Development Authority Loan (#3021)	16,594	6.58%
Total	<u>\$226,266</u>	

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has given approval for this project. The loan is collateralized solely by the Village's taxing authority.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	OWDA Loan # 2949	OWDA Loan # 1426
2003	\$1,679	\$49,534
2004	1,679	49,534
2005	1,679	49,534
2006	1,679	49,534
2007	1,679	49,534
2008 – 2012	8,394	49,534
2013 - 2017	8,394	
2018 - 2019	2,517	
Total	<u>\$27,700</u>	<u>\$297,204</u>

6. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 2002.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal League Joint Self Insurance Pool (the Pool), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to § 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pay judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2000 generally protect against individual losses exceeding \$100,000 (\$150,000 for policies issued prior to April 1, 2000).

Property coverage contracts protect against losses, subject to a deductible of \$50,000 per occurrence, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)

7. RISK MANAGEMENT (Continued)

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2001 and 2000: (This is the most current information available.)

	2001	2000
Assets	\$ 3,354,251	\$ 2,958,827
Liabilities	<u>(4,851,866)</u>	<u>(3,863,373)</u>
Retained deficit	\$(1,497,615)	\$ (904,546)

Health Insurance

The Village also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Yorkville, Jefferson County, (the Village) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 27, 2003. 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 misstatement, 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 under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance, which we have reported to management of the Village in a separate letter dated May 27, 2003.

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 May 27, 2003.

Village of Yorkville
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Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

May 27, 2003

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

FINDING NUMBER 2002-001

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been appropriated.

The following funds had expenditures which exceeded appropriations in 2001.

Fund	Expenditures	Appropriations	Variance
Fire Levy	\$27,879	\$0	\$(27,879)
Street Construction Maintenance and Repair	\$33,794	\$20,000	\$(13,794)
State Highway	\$2,698	\$0	\$(2,698)
Permissive Tax	\$7,807	\$0	\$(7,807)
FEMA	\$15,572	\$0	\$(15,572)
Water Revenue	\$89,022	\$75,000	\$(14,022)
Sewer Revenue	\$100,960	\$95,600	\$(5,360)

Failure to limit disbursements plus encumbrances (expenditures) to the amount appropriated by the Village Council could result in overspending and negative cash balances. Expenditures should be limited to appropriations. If the Village Council determines that expenditure needs exceed current appropriation authority, additional appropriations should be approved by the Village Council prior to the additional expenditures being incurred.

FINDING NUMBER 2002-002

Ohio Revised Code § 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. This section also provides two "exceptions" to the above requirement:

- A. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council 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.
- B. If the amount involved is less than one thousand dollars (\$1,000) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001
(Continued)**

The Village did not certify or record the amounts against the applicable appropriation accounts for 26% of tested expenditures for 2002 and 53% of tested expenditures for 2001. The Village did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The Village should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-31241-001	ORC 5705.41(D) The Village did not certify or post appropriate amounts of expenditures against appropriations	No	The citation is reissued in current report as item number 2002-002
2000-31241-002	ORC 733.28 The Village Clerk/Treasurer did not maintain accurate records	No	The records were more accurately maintained in the current audit period, however, a recommendation to code and classify transactions properly is reported in the management letter.
2000-31241-003	More care should be taken when preparing the annual financial report to eliminate errors and the need for adjustments and reclassifications	No	The financial statements for 2002 and 2001 were more accurately prepared with fewer errors to correct. A recommendation to code and classify transactions properly is reported in the management letter.



**Auditor of State
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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
JULY 15, 2003**