



**Auditor of State
Betty Montgomery**

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

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**Auditor of State
Betty Montgomery**

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43971-1217

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 a February 2, 2005 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 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.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 18, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43971-1217

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, 2004 and 2003. 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 year ended December 31, 2004 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, 2004, or its changes in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Yorkville, Jefferson County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the year ended December 31, 2004. 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 18, 2005, 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.



Betty Montgomery
Auditor of State

November 18, 2005

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, 2004**

	<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	\$188,909	\$34,988		\$20,784	\$244,681
Charges for Services	6,803				6,803
Intergovernmental Receipts	64,537	40,943			105,480
Fines, Licenses, and Permits	12,155				12,155
Earnings on Investments	18,634				18,634
Miscellaneous		26,532			26,532
Total Cash Receipts	<u>291,038</u>	<u>102,463</u>		<u>20,784</u>	<u>414,285</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	133,996	35,884			169,880
Community Environment	622				622
Transportation	15,564	43,339			58,903
General Government	105,113				105,113
Capital Outlay				26,088	26,088
Total Cash Disbursements	<u>255,295</u>	<u>79,223</u>		<u>26,088</u>	<u>360,606</u>
Total Receipts Over/(Under) Disbursements	<u>35,743</u>	<u>23,240</u>		<u>(5,304)</u>	<u>53,679</u>
Other Financing Receipts and (Disbursements):					
Other Financing Uses	(44,200)				(44,200)
Total Other Financing Receipts/(Disbursements)	<u>(44,200)</u>				<u>(44,200)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(8,457)</u>	<u>23,240</u>		<u>(5,304)</u>	<u>9,479</u>
Fund Cash Balances, January 1	<u>296,808</u>	<u>263,529</u>	<u>\$277,743</u>	<u>137,233</u>	<u>975,313</u>
Fund Cash Balances, December 31	<u>\$288,351</u>	<u>\$286,769</u>	<u>\$277,743</u>	<u>\$131,929</u>	<u>\$984,792</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 PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$287,422		\$287,422
Miscellaneous Receipts	484		484
Total Operating Cash Receipts	<u>287,906</u>		<u>287,906</u>
Operating Cash Disbursements:			
Personal Services	125,005		125,005
Contractual Services	39,102		39,102
Supplies and Materials	39,942		39,942
Other	1,918		1,918
Capital Outlay	82,983		82,983
Total Operating Cash Disbursements	<u>288,950</u>		<u>288,950</u>
Operating Income/(Loss)	<u>(1,044)</u>		<u>(1,044)</u>
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	16,275		16,275
Other Non-Operating Receipts	23,558	\$236,890	260,448
Total Non-Operating Cash Receipts	<u>39,833</u>	<u>236,890</u>	<u>276,723</u>
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	30,048		30,048
Interest Payments	14,121		14,121
Other Non-Operating Cash Disbursements	3,651	233,455	237,106
Total Non-Operating Cash Disbursements	<u>47,820</u>	<u>233,455</u>	<u>281,275</u>
Net Receipts Over/(Under) Disbursements	(9,031)	3,435	(5,596)
Fund Cash Balances, January 1	<u>140,196</u>	<u>40,950</u>	<u>181,146</u>
Fund Cash Balances, December 31	<u>\$131,165</u>	<u>\$44,385</u>	<u>\$175,550</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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$225,331	\$43,380		\$295,541
Charges for Services	6,545			6,545
Intergovernmental Receipts	72,812	33,868		107,955
Fines, Licenses, and Permits	15,528			15,528
Earnings on Investments	14,881			14,881
Miscellaneous	18,421	12,172		30,593
	<hr/>			
Total Cash Receipts	353,518	89,420	28,105	471,043
Cash Disbursements:				
Current:				
Security of Persons and Property	175,890	15,278		191,168
Leisure Time Activities	15,325			15,325
Community Environment	668			668
Transportation		56,238		56,238
General Government	99,880	159		100,039
Capital Outlay			23,433	23,433
	<hr/>			
Total Cash Disbursements	291,763	71,675	23,433	386,871
Total Receipts Over/(Under) Disbursements	61,755	17,745	4,672	84,172
Other Financing Receipts and (Disbursements):				
Transfer In		10,000		10,000
Transfer Out	(10,000)			(10,000)
Other Financing Uses	(35,829)	(4,503)		(40,332)
	<hr/>			
Total Other Financing Receipts/(Disbursements)	(45,829)	5,497		(40,332)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	15,926	23,242	4,672	43,840
Fund Cash Balances, January 1	280,882	240,287	\$277,743	931,473
	<hr/>			
Fund Cash Balances, December 31	\$296,808	\$263,529	\$277,743	\$975,313

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, 2003**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$287,405		\$287,405
Total Operating Cash Receipts	287,405		287,405
Operating Cash Disbursements:			
Personal Services	135,696		135,696
Transportation	14,993		14,993
Contractual Services	30,301		30,301
Supplies and Materials	41,326		41,326
Other	9,934		9,934
Capital Outlay	13,673		13,673
Total Operating Cash Disbursements	245,923		245,923
Operating Income/(Loss)	41,482		41,482
Non-Operating Cash Receipts:			
Property Tax and Other Local Taxes	17,522		17,522
Other Non-Operating Receipts	41,356	\$262,351	303,707
Total Non-Operating Cash Receipts	58,878	262,351	321,229
Non-Operating Cash Disbursements:			
Debt Service:			
Principal Payments	40,639		40,639
Interest Payments	32,007		32,007
Other Non-Operating Cash Disbursements		251,711	251,711
Total Non-Operating Cash Disbursements	72,646	251,711	324,357
Net Receipts Over (Under) Disbursements	27,714	10,640	38,354
Fund Cash Balances, January 1	112,482	30,310	142,792
Fund Cash Balances, December 31	\$140,196	\$40,950	\$181,146

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, 2004 AND 2003**

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 or Yorkville, Jefferson County, (the Village) as a body corporate and politic. A publicly-elected six-member Council governs the Village. The Village provides water, sewer, and sanitation utilities, and police services. The Village contracts with the Yorkville Volunteer Fire Company to provide 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 accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit 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 Fund

These funds 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, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund – This fund receives proceeds from a tax levy and is used to pay for fire protection services.

3. Debt Service Fund

These funds account for resources the Village accumulates to pay bond and note debt. The Village had the following significant debt service fund:

Bond Rated Fund – This fund was used to retire bonds issued for the completion of water and sewer projects.

4. 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 fund:

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

5. 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 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 fund:

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, 2004 AND 2003
(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. 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 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 2004 and 2003 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 CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$796,940	\$809,555
Certificates of deposit	363,402	346,904
Total deposits and investments	\$1,160,342	\$1,156,459

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$250,000	\$291,038	\$41,038
Special Revenue	114,622	102,463	(12,159)
Debt Service	0	0	0
Capital Projects	25,000	20,784	(4,216)
Enterprise	334,000	327,739	(6,261)
Total	\$723,622	\$742,024	\$18,402

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$344,640	\$299,495	\$45,145
Special Revenue	120,975	79,223	41,752
Debt Service	0	0	0
Capital Projects	24,500	26,088	(1,588)
Enterprise	306,700	336,770	(30,070)
Total	\$796,815	\$741,576	\$55,239

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$216,000	\$353,518	\$137,518
Special Revenue	99,105	99,420	315
Debt Service	0	0	0
Capital Projects	24,000	28,105	4,105
Enterprise	274,000	346,283	72,283
Total	\$613,105	\$827,326	\$214,221

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$389,000	\$337,592	\$51,408
Special Revenue	151,100	76,178	74,922
Debt Service	0	0	0
Capital Projects	82,500	23,433	59,067
Enterprise	371,400	318,569	52,831
Total	\$994,000	\$755,772	\$238,228

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

4. LEGAL COMPLIANCE

Budgetary expenditures exceeded appropriation authority in the Permissive Tax Fund, the Fire Levy Fund, the Federal Emergency Management Agency Fund, Equipment Fund, Sewer Fund and Sanitation Fund in 2004 and in the Street Construction, Maintenance & Repair Fund in 2003, contrary to Ohio Revised Code Section 5705.41(B),

Appropriations exceeded estimated resources in the Street Construction, Maintenance & Repair Fund in 2004 and in the Sewer Fund in 2003, contrary to Ohio Revised Code Section 5705.39,

Also, contrary to Ohio Revised Code Section 5705.41(D), the Village did not properly certify or record the amount against the applicable appropriation accounts for 92% of tested expenditures in 2003 and 98% of tested expenditures in 2004.

5. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment is due December 31. The second half payment is due the following June 20.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

6. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #1436	\$153,738	10.98%
OWDA Loan # 2949	15,382	6.58%
Total	<u>\$169,120</u>	

The Ohio Water Development Authority (OWDA) loans relate to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved this project. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

6. DEBT (Continued)

Amortization of the above debt, including interest, follows:

<u>Year ending December 31:</u>	<u>OWDA</u>
2005	\$51,213
2006	51,213
2007	51,213
2008	51,212
2009	1,678
2010-2014	8,394
2015-2019	7,554
Total	<u><u>\$222,477</u></u>

7. 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 Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2004.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Health Insurance

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



**Auditor of State
Betty Montgomery**

**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, Ohio 43971-1217

To the Village Council:

We have audited the financial statements of Village of Yorkville, Jefferson County (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated November 18, 2005, wherein we noted that the Village prepared its financial statements using accounting practices the Auditor of State established 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-004 and 2004-005.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the Village's management dated November 18, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the Village's management dated November 18, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Village Council. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

November 18, 2005

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Non Compliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources.

Appropriations exceeded estimated resources in the following fund for 2004:

Fund	Estimated Resources	Appropriations	Dollar Variance
Street Construction, Maintenance, and Repair Fund	\$41,515	\$75,200	\$(33,865)

Appropriations exceeded estimated resources in the following fund for 2003:

Fund	Estimated Resources	Appropriations	Dollar Variance
Sewer Fund	\$170,292	\$202,900	\$(32,608)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. Actual receipts plus fund balances were not sufficient to permit the Village to obtain an amended certificate of estimated resources supporting the amounts of the abovementioned appropriations.

The Village should review certified resources prior to adopting appropriations. If certified amounts are not sufficient to support desired appropriations, an increased amended certificate should be obtained, or appropriations should be limited to amounts available.

FINDING NUMBER 2004-002

Non Compliance Citation

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

Expenditures exceeded appropriations in the following funds for 2004:

Fund	Appropriations	Expenditures	Dollar Variance
Permissive Tax Fund	0	278	(278)
Fire Levy Fund	25,700	35,584	(9,884)
Federal Emergency Management Agency Fund	1,275	2,745	(1,470)
Equipment Fund	24,500	26,088	(1,588)
Sewer Fund	147,100	192,041	(44,941)
Sanitation Fund	49,300	52,520	(3,220)

Expenditures exceeded appropriations in the following funds for 2003:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Dollar Variance</u>
Street Construction, Maintenance, and Repair Fund	19,000	44,602	(25,602)

The failure to limit expenditures plus encumbrances 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 determines that expenditure needs exceed the current appropriation authority and if resources are available, additional appropriations should be approved by the Village Council prior to incurring additional expenditures.

FINDING NUMBER 2004-003

Non Compliance 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 officer’s 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.

1. **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 the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village 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 (\$1,000 prior to April 7, 2003) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council if such expenditure is otherwise valid.

2. **Blanket Certificate** – Fiscal officers 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. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The 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 extent 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 or record the amount against the applicable appropriation accounts for 92% of tested expenditures in 2003 and 98% in 2004. The Village did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending in 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 Clerk/Treasurer 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 to authorize disbursements. The fiscal officer 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 fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2004-004

Reportable Condition

Preparing and Maintaining Records to Support Financial Activity

Pursuant to the Village Officers' Handbook, a mayor must keep a docket of the cases before the mayor's court, a cashbook, duplicate receipts and other related documentation showing the disposition of each case. The Mayor did not maintain a cashbook or duplicate receipts; and 80 of 226 issued during the audit period were maintained while the remaining 146 tickets had not been used or had been destroyed or lost.

The disposition of each case and the amounts of fines and forfeitures collected by the Mayor for each case could not be determined and therefore, the completeness and accuracy of the amounts of fines and forfeitures paid into the Village treasury could not be verified.

The Mayor should keep all tickets issued in sequential numerical order, prepare and maintain a duplicate receipt for each fine or forfeiture collected by the Court and record each receipt in a cashbook.

FINDING NUMBER 2004-005

Reportable Condition

Posting Receipts and Expenditures

All public offices should maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements. The Village did not correctly code and classify receipts and expenditures. As a result, errors occurred including the misclassification of revenue totaling \$439,792 in 2003 and \$298,904 in 2004 and misclassification of expenditures totaling \$396,440 in 2003 and \$278,664 in 2004. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should review the chart of accounts suggested in Ohio Administrative Code 117-9-01. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2002-001	Revised Code Section 5075.41(B), expenditures exceeded appropriations	No	Reported as 2004-002
2002-002	Revised Code Section 5705.41(D), failure to encumber funds	No	Reported as 2004-003



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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
DECEMBER 30, 2005**