



Dave Yost • Auditor of State

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43917-1217

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Yorkville, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Yorkville, Jefferson as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during 2011, the Village of Yorkville adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 24, 2014

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$81,139	\$18,946	\$19,025	\$119,110
Intergovernmental	141,975	59,155	6,322	207,452
Charges for Services		15,945		15,945
Fines, Licenses and Permits	10,358			10,358
Miscellaneous	19,609			19,609
<i>Total Cash Receipts</i>	<u>253,081</u>	<u>94,046</u>	<u>25,347</u>	<u>372,474</u>
Cash Disbursements				
Current:				
Security of Persons and Property	192,391	33,653		226,044
Transportation		92,326		92,326
General Government	116,579		620	117,199
Capital Outlay	32,865		61,551	94,416
Debt Service:				
Principal Retirement			35,315	35,315
Interest and Fiscal Charges			14,531	14,531
<i>Total Cash Disbursements</i>	<u>341,835</u>	<u>125,979</u>	<u>112,017</u>	<u>579,831</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(88,754)</u>	<u>(31,933)</u>	<u>(86,670)</u>	<u>(207,357)</u>
Other Financing Receipts (Disbursements)				
Sale of Notes			28,490	28,490
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>0</u>	<u>28,490</u>	<u>28,490</u>
<i>Net Change in Fund Cash Balances</i>	(88,754)	(31,933)	(58,180)	(178,867)
<i>Fund Cash Balances, January 1</i>	<u>255,423</u>	<u>269,633</u>	<u>42,103</u>	<u>567,159</u>
Fund Cash Balances, December 31				
Restricted	0	237,500	0	237,500
Unassigned (Deficit)	166,669	200	(16,077)	150,792
<i>Fund Cash Balances, December 31</i>	<u>\$166,669</u>	<u>\$237,700</u>	<u>(\$16,077)</u>	<u>\$388,292</u>

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

**VILLAGE OF YORKVILLE
JEFFESON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$278,730		\$278,730
<i>Total Operating Cash Receipts</i>	<u>278,730</u>	<u>\$0</u>	<u>278,730</u>
Operating Cash Disbursements			
Personal Services	125,025		125,025
Contractual Services	122,824		122,824
Supplies and Materials	54,779		54,779
Capital Outlay	3,025		3,025
Other	2,123		2,123
<i>Total Operating Cash Disbursements</i>	<u>307,776</u>	<u>0</u>	<u>307,776</u>
<i>Operating Income (Loss)</i>	<u>(29,046)</u>	<u>0</u>	<u>(29,046)</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(504)		(504)
Interest and Other Fiscal Charges	(9,369)		(9,369)
Other Financing Sources		263,882	263,882
Other Financing Uses	(4,338)	(272,859)	(277,197)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(14,211)</u>	<u>(8,977)</u>	<u>(23,188)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(43,257)</u>	<u>(8,977)</u>	<u>(52,234)</u>
<i>Fund Cash Balances, January 1</i>	<u>191,700</u>	<u>18,373</u>	<u>210,073</u>
<i>Fund Cash Balances, December 31</i>	<u>\$148,443</u>	<u>\$9,396</u>	<u>\$157,839</u>

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$102,296	\$9,616	\$21,602	\$133,514
Intergovernmental	167,215	108,499	11,966	287,680
Charges for Services	13,411	11,721		25,132
Fines, Licenses and Permits	8,767			8,767
Miscellaneous	7,391	2,271		9,662
<i>Total Cash Receipts</i>	<u>299,080</u>	<u>132,107</u>	<u>33,568</u>	<u>464,755</u>
Cash Disbursements				
Current:				
Security of Persons and Property	159,319	34,070		193,389
Transportation		75,916		75,916
General Government	180,751		673	181,424
Capital Outlay			10,657	10,657
Debt Service:				
Principal Retirement			23,865	23,865
Interest and Fiscal Charges			11,962	11,962
<i>Total Cash Disbursements</i>	<u>340,070</u>	<u>109,986</u>	<u>47,157</u>	<u>497,213</u>
<i>Net Change in Fund Cash Balances</i>	(40,990)	22,121	(13,589)	(32,458)
<i>Fund Cash Balances, January 1</i>	<u>296,413</u>	<u>247,512</u>	<u>55,692</u>	<u>599,617</u>
Fund Cash Balances, December 31				
Restricted		269,633		269,633
Unassigned (Deficit)	255,423		42,103	297,526
<i>Fund Cash Balances, December 31</i>	<u><u>\$255,423</u></u>	<u><u>\$269,633</u></u>	<u><u>\$42,103</u></u>	<u><u>\$567,159</u></u>

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$275,583		\$275,583
<i>Total Operating Cash Receipts</i>	<u>275,583</u>	<u>\$0</u>	<u>275,583</u>
Operating Cash Disbursements			
Personal Services	122,951		122,951
Contractual Services	46,421		46,421
Supplies and Materials	69,389		69,389
Capital Outlay	1,901		1,901
Other	30,192		30,192
<i>Total Operating Cash Disbursements</i>	<u>270,854</u>	<u>0</u>	<u>270,854</u>
<i>Operating Income (Loss)</i>	<u>4,729</u>	<u>0</u>	<u>4,729</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(977)		(977)
Interest and Other Fiscal Charges	(12,209)		(12,209)
Other Financing Sources		265,448	265,448
Other Financing Uses		(271,491)	(271,491)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(13,186)</u>	<u>(6,043)</u>	<u>(19,229)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(8,457)</u>	<u>(6,043)</u>	<u>(14,500)</u>
<i>Fund Cash Balances, January 1</i>	<u>200,157</u>	<u>24,416</u>	<u>224,573</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$191,700</u></u>	<u><u>\$18,373</u></u>	<u><u>\$210,073</u></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, 2012 AND 2011**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Yorkville, Jefferson County, (the "Village") as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water, sewer and garbage utilities, park operations, and police services. The Village contracts with Yorkville Volunteer Fire Department to receive fire protection services and emergency medical services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

Permissive Tax Fund – This fund receives permissive tax monies for maintaining Village streets

Fire Levy Fund – This fund receives proceeds from a tax levy and uses the monies for supplies and materials for the fire department.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant Capital Project Funds:

Village Equipment Fund – This fund receives tax monies and is used to purchase equipment used in the operation of the village.

Sewer Maintenance Fund – This fund receives tax monies and is used to purchase equipment for use in the operations of the village sewer system.

4. Enterprise Funds

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

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

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

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

5. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. The Village had no trust funds.

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2012 and 2011 budgetary activity appears in Note 3.

F. Fund Balance

Beginning in 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the General fund report all fund balances as *assigned* unless they are restricted or committed. In the General fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the General fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

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

2. Equity in Pooled Deposits and Investments

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

	2012	2011
Demand deposits	\$89,995	\$321,290
Certificates of deposit		4,122
Other time deposits (savings and NOW accounts)	456,136	451,820
Total deposits	\$546,131	\$777,232

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

3. Budgetary Activity

Budgetary activity for the years ending 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$300,000	\$253,081	(\$46,919)
Special Revenue	105,000	94,046	(10,954)
Capital Projects	68,000	53,837	(14,163)
Enterprise	278,000	278,730	730
Total	\$751,000	\$679,694	(\$71,306)

2012 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$500,000	\$341,835	\$158,165
Special Revenue	176,440	125,979	50,461
Capital Projects	123,000	112,017	10,983
Enterprise	337,000	321,987	15,013
Total	\$1,136,440	\$901,818	\$234,622

2011 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$360,000	\$299,080	(\$60,920)
Special Revenue	67,200	132,107	64,907
Capital Projects	90,000	33,568	(56,432)
Enterprise	348,171	275,583	(72,588)
Total	\$865,371	\$740,338	(\$125,033)

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$403,531	\$340,070	\$63,461
Special Revenue	135,600	109,986	25,614
Capital Projects	90,000	47,157	42,843
Enterprise	348,171	284,040	64,131
Total	\$977,302	\$781,253	\$196,049

Contrary to Ohio law, at December 31, 2012, the Sewer Maintenance and Village Equipment Capital Projects Funds had cash deficit balances of \$7,769 and \$8,308, respectively.

4. Property Tax

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

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, 2012 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan 2949	\$8,645	7%
Ohio Water Development Authority Loan 4765	447,155	4%
USDA Bonds	41,500	4%
Truck Lease	18,565	4%
Total	\$515,865	

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

5. Debt (Continued)

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

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

The Truck Lease was entered into to purchase a 2012 GMC Dump Truck. The lease is secured by a security interest granted to the lessor by the Village.

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

Year ending December 31:	OWDA Loan 2949	OWDA Loan 4765	USDA Bonds	Truck Lease
2013	\$1,679	\$41,233	\$6,160	\$10,055
2014	1,679	41,233	6,180	10,055
2015	1,679	41,233	6,192	837
2016	1,679	41,233	6,096	
2017	1,679	41,233	6,196	
2018-2022	2,518	206,165	18,484	
2023-2027		206,165		
Total	<u>\$10,913</u>	<u>\$618,495</u>	<u>\$49,308</u>	<u>\$20,947</u>

6. Retirement Systems

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

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10 % of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. Contingent Liabilities

The Village is defendant in a lawsuit. Management cannot presently determine the outcome of this suit.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Yorkville, Jefferson County, (the "Village") as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated January 24, 2014 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted that the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider findings 2012-004 and 2012-005 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2012-003 described in the accompanying schedule of findings to be a significant deficiency.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2012-001 through 2012-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 24, 2014

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2012-001

Noncompliance Citation - Finding for Recovery – Repaid Under Audit

The Ohio Office of Budget and Management issued warrants to the Village for various types of revenue including Gasoline Excise Tax, State and Local Government Highway Distribution, and grants. During 2011, some of the checks were incorrectly received and cashed by the Yorkville Volunteer Fire Department. These payments totaled \$5,825.

In accordance with the foregoing facts, and pursuant to the Ohio Revised Code Section 117.28, a finding for recovery for public monies collected and not accounted for is hereby issued against the Yorkville Volunteer Fire Department in the amount of \$5,825 in favor of the following funds of the Village of Yorkville.

Fund	Street Construction, Maintenance and Repair Fund
Street Construction, Maintenance and Repair Fund	\$4,763
State Highway Fund	386
Fire Levy Fund	676
Total	5,825

This finding was repaid during the audit by the Yorkville Volunteer Fire Department on August 9, 2013.

FINDING NUMBER 2012-002

Noncompliance Citation

Ohio Revised Code Section 5705.10(I) provides that money paid into any fund shall be used for the purpose for which it was established. At December 31, 2012, the Sewer Maintenance and the Village Equipment Capital Project Funds had deficit balances of \$7,769 and \$8,308 respectively. These deficit balances indicate that monies from another fund have been used to pay the obligations of the aforementioned funds.

We recommend that Village Council review the Village's finances and formulate a plan for the elimination of the deficit balances.

FINDING NUMBER 2012-003

Noncompliance Citation and Significant Deficiency

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 clerk 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 clerk. 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 clerk'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 clerk'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 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. If the amount involved is less than \$3,000 the clerk may authorize payment through a then and now certificate without affirmation of the village council if such expenditure is otherwise valid.
- 2. Blanket Certificate** – Clerks may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The village may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the clerk for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the amount against the applicable appropriation accounts for 100% of 2011 and 2012 tested expenditures. This was due to the date of the purchase order not preceding the invoice date. The Village did not utilize the certification exceptions described above. Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should obtain approved purchase orders, which include the clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making a commitment. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2012-003 (Continued)

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

FINDING NUMBER 2012-004

Material Weakness

The Village Clerk/Treasurer did not correctly post all receipts and disbursements in 2011 and 2012, resulting in the following adjustments and reclassifications to the financial statements. The Village Clerk/Treasurer and management have agreed to and posted the adjustments to the Village's accounting records. The corrected amounts are reflected in the accompanying financial statements.

2011:

Fund	Account Type	Amount	Description
<i>Adjustments:</i>			
General Fund	Intergovernmental Revenue	\$1,387	Recorded in the Street Fund as Intergovernmental Revenue.
State Highway Fund	Intergovernmental Revenue	\$409	Recorded in the Street Fund as Intergovernmental Revenue.
Fire Fund	Intergovernmental Revenue	\$491	Recorded in the Street Fund as Intergovernmental Revenue.
Permissive Motor Vehicle License Tax Fund	Property and Other Local Taxes Revenue	\$465	Recorded in the Street Fund as Intergovernmental Revenue.
Sewer Maintenance Fund	Intergovernmental Revenue	\$33	Recorded in the General Fund as Property and Other Local Taxes Revenue .
Sewer Maintenance Fund	Intergovernmental Revenue	\$1,346	Recorded in the Street Fund as Intergovernmental Revenue.
Sewer Maintenance Fund	Intergovernmental Revenue	\$149	Recorded in the State Highway Fund as Intergovernmental Revenue.
Street, Construction, Maintenance, and Repair Fund	Intergovernmental Revenue	\$375	Recorded in the General Fund as Property and Other Local Taxes Revenue .

FINDING NUMBER 2012-004 (Continued)

2011:

<i>Reclassifications:</i>			
General Fund	Intergovernmental Revenue	\$132,338	Recorded as Property and Other Local Taxes Revenue .
Fire Fund	Intergovernmental Revenue	\$15,268	Recorded as Property and Other Local Taxes Revenue.
Street, Construction, Maintenance, and Repair Fund	Intergovernmental Revenue	\$5,460	Recorded as Property and Other Local Taxes Revenue.
Sewer Maintenance Fund	Intergovernmental Revenue	\$6,146	Recorded as Property and Other Local Taxes Revenue.
Sewer Fund	Principal Retirement Expenses Interest and Fiscal Charges Expenses	\$977 \$702	Recorded as Contractual Services Expenses.
Sewer Fund	Interest and Fiscal Charges Expenses	\$11,507	Recorded as Contractual Services and Supplies and Maintenance Expenses.
Sewer Maintenance Fund	Interest and Fiscal Charges Expenses	\$10,061	Recorded as Principal Retirement Expenses.
Sewer Maintenance Fund	General Government Expenses	\$673	Recorded as Principal Retirement Expenses.
Village Equipment Fund	Principal Retirement Expenses Interest and Fiscal Charges Expenses	\$4,200 \$1,901	Recorded as Capital Outlay Expenses.

2012:

Fund	Account Type	Amount	Description
<i>Adjustments:</i>			
Sewer Maintenance Fund	Intergovernmental Revenue	\$4,097	Recorded in the Water Fund as Charges for Services Revenue.
Permissive Motor Vehicle Licenses Tax Fund	Property and Other Local Taxes Revenue	\$1,101	Recorded in the Street Fund as Property and Other Local Taxes Revenue.
Sewer Maintenance Fund	Intergovernmental Revenue	\$711	Recorded in the General Fund as Property and Other Local Taxes Revenue.

FINDING NUMBER 2012-004 (Continued)

Sewer Maintenance Fund	Intergovernmental Revenue	\$1,364	Recorded in the Street Fund as Property and Other Local Taxes Revenue.
Sewer Maintenance Fund	Intergovernmental Revenue	\$150	Recorded in the State Highway Fund as Property and Other Local Taxes Revenue.
Street Construction, Maintenance, and Repair Fund	Intergovernmental Revenue	\$345	Recorded in the State Highway Fund as Property and Other Local Taxes Revenue.
Fire Fund	Intergovernmental Revenue	\$490	Recorded in the Street Fund as Property and Other Local Taxes Revenue.
Village Equipment Fund	Capital Outlay Expenses Proceeds of Notes	\$28,490	Not recorded.
<i>Reclassification:</i>			
Street Construction, Maintenance, and Repair Fund	Intergovernmental Revenue	\$36,581	Recorded as Property and Other Local Taxes Revenue.
State Highway Fund	Intergovernmental Revenue	\$3,339	Recorded as Property and Other Local Taxes Revenue.
General Fund	Capital Outlay Expenses	\$32,865	Recorded as Supplies and Materials Expenses.
Fire Fund	Charges for Services Revenue	\$15,945	Recorded as Property and Other Local Taxes Revenue.
General Fund	Intergovernmental Revenue	\$90,811	Recorded as Property and Other Local Taxes Revenue.
Fire Fund	Intergovernmental Revenue	\$19,590	Recorded as Property and Other Local Taxes Revenue.
General Fund	Intergovernmental Revenue	\$15,710	Recorded as Property and Other Local Taxes Revenue.
Sewer Fund	Principal Retirement Expenses Interest and Fiscal Charges Expenses	\$504 \$9,366	Recorded as Supplies and Maintenance Expenses.
Sewer Maintenance Fund	Interest and Fiscal Charges Expenses	\$1,420	Recorded as Principal Retirement Expenses

FINDING NUMBER 2012-004 (Continued)

Sewer Maintenance Fund	General Government Expenses	\$620	Recorded as Principal Retirement Expenses
Village Equipment Fund	Principal Retirement Expenses Interest and Fiscal Charges Expenses	\$14,225 \$2,583	Recorded as Capital Outlay Expenses

We recommend that the Village Clerk/Treasurer maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. The Village should adopt procedures for the review of posted transactions and subsequent reporting of the financial statements.

FINDING NUMBER 2012-005

Material Weakness

Ohio Administrative Code Section 117-2-02(B)(1) and (2) requires the government's internal controls to reasonably assure that recorded transactions have occurred and are not fictitious and that all the necessary transactions are included in the financial records.

Accurate monthly bank to book reconciliations could not be prepared in 2011 and 2012 as transactions were not recorded in the Village's accounting records. In order to present accurate cash reconciliations and accurate financial statements, the following adjustments are reflected in the accompanying financial statements.

2011

Fund	Revenue	Expenditures
General	\$1,547	

2012

Fund	Revenue	Expenditures
General	\$174	
Sewer Maintenance		\$21,456

We recommend that the Village Clerk/Treasurer record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances between the bank balance and the book balance should be investigated, documented and corrected, if appropriate. Failure to consistently post all transactions 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 Village Clerk/Treasurer should maintain the accounting system to enable the Village to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. In addition, we recommend that Village Council review the monthly cash reconciliations, the support for the reconciliations and document the reviews.

Official's response:

The Village did not respond to the findings reported.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	Finding repaid under audit	Yes	
2010-02	Ohio Revised Code 5705.41 (D)	No	Cited as 2012-003
2010-03	Ohio Revised Code 733.23	Partially	We are issuing a material weakness for this issue as 2012-004 and 2012-005
2010-04	Ohio Revised Code 5705.38	Yes	
2010-05	Ohio Revised Code 5705.10 (A)	Yes	

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Dave Yost • Auditor of State

VILLAGE OF YORKVILLE

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 11, 2014**