



**Auditor of State
Betty Montgomery**

VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY

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**Auditor of State
Betty Montgomery**

REPORT OF INDEPENDENT ACCOUNTANTS

Village of Yankee Lake
Trumbull County
1800 S R 7 NE
Brookfield, Ohio 44403

To the Village Council:

We have audited the accompanying financial statements of the Village of Yankee Lake (the Village) as of and for the years ended December 31, 2002 and December 31, 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 as of December 31, 2002 and December 31, 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 June 16, 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.

Village of Yankee Lake
Trumbull County
Report of Independent Accountants
Page 2

This report is intended solely for the information and use of the 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

June 16, 2003

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<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	\$3,439		\$1,654	\$5,093
Intergovernmental Receipts	3,493	\$799		4,292
Miscellaneous	5,497			5,497
Total Cash Receipts	<u>12,429</u>	<u>799</u>	<u>1,654</u>	<u>14,882</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	2,129			2,129
Transportation		965		965
General Government	5,351			5,351
Debt Service:				
Principal Payments			670	670
Interest Payments			984	984
Total Cash Disbursements	<u>7,480</u>	<u>965</u>	<u>1,654</u>	<u>10,099</u>
Total Receipts Over/(Under) Disbursements	<u>4,949</u>	<u>(166)</u>		<u>4,783</u>
Fund Cash Balances, January 1	<u>(1,064)</u>	<u>2,101</u>		<u>1,037</u>
Fund Cash Balances, December 31	<u>\$3,885</u>	<u>\$1,935</u>		<u>\$5,820</u>

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

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,047	\$1,048		\$5,095
Intergovernmental Receipts	4,450	615	\$77,427	82,492
Fines, Licenses, and Permits	460			460
Earnings on Investments	4	155		159
Miscellaneous	3			3
Total Cash Receipts	<u>8,964</u>	<u>1,818</u>	<u>77,427</u>	<u>88,209</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	1,380			1,380
Transportation		2,471		2,471
General Government	6,451			6,451
Debt Service:				
Principal Payments		7,880		7,880
Interest Payments		1,287		1,287
Capital Outlay			77,427	77,427
Total Cash Disbursements	<u>7,831</u>	<u>11,638</u>	<u>77,427</u>	<u>96,896</u>
Total Receipts Over/(Under) Disbursements	<u>1,133</u>	<u>(9,820)</u>		<u>(8,687)</u>
Fund Cash Balances, January 1	<u>(2,197)</u>	<u>11,921</u>		<u>9,724</u>
Fund Cash Balances, December 31	<u>(\$1,064)</u>	<u>\$2,101</u>		<u>\$1,037</u>

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

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue 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.

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

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Fund Accounting (Continued)

3. Debt Service Fund

This fund was used to accumulate resources for the payment of note indebtedness. The Village established a debt service fund in year 2002 for the purpose of repaying a note for an Issue 2 project.

4. Capital Project Funds

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had an Issue 2 project in year 2001 for street repair.

D. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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. Encumbrances outstanding at year end, if any, are carried over, and need not be reappropriated.

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

E. Property, Plant and Equipment

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

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

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

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:

	2002	2001
	\$5,820	\$1,037

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

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$8,397	\$12,429	\$4,032
Special Revenue	1,825	799	(1,026)
Debt Service	1,621	1,654	33
Total	\$11,843	\$14,882	\$3,039

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 7,331	\$ 7,480	\$ (149)
Special Revenue	2,000	965	1,035
Debt Service	1,621	1,654	(33)
Total	\$ 10,952	\$ 10,099	\$ 853

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$10,303	\$8,964	(\$1,339)
Special Revenue	890	1,818	928
Capital Projects	70,480	77,427	6,947
Total	\$81,673	\$88,209	\$6,536

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 11,025	\$ 7,831	\$ 3,194
Special Revenue	9,850	11,638	(1,788)
Capital Projects	70,480	77,427	(6,947)
Total	\$ 91,355	\$ 96,896	\$ (5,541)

Contrary to Ohio law, the certificate of the fiscal officer was not attached to any payments made by the Village. The Village had a negative balance in the general fund as of 12/31/2001. The Village's expenditures exceeded amounts appropriated in the Street Construction, Maintenance and Repair Fund and in the Issue 2 fund.

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. SUBSEQUENT EVENTS

The Village passed a 3.9 mill levy for General operating expenses for a period of 5 years beginning in 2002.

The Village has been declared in fiscal watch under Sections 118.022(A)(1), (2) and (3) of the Ohio Revised Code, by the Auditor of State for the year ending December 31, 2001.

The Village has been in communication with the IRS regarding withholding amounts for the former Village Clerk. The Village has agreed to provide informational returns for a period of 13 years and will be required to pay amounts due for 3 years. The Village remitted social security and medicare tax, and State of Ohio tax for year 2002. The amounts due will probably not be material to the Village's fund balances.



**Auditor of State
Betty Montgomery**

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

Village of Yankee Lake
Trumbull County
1800 S R 7 NE
Brookfield, Ohio 44403

To the Village Council:

We have audited the accompanying financial statements of the Village of Yankee Lake (the Village) as of and for the years ended December 31, 2002 and December 31, 2001, and have issued our report thereon dated June 16, 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 of Yankee Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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* which are described in the accompanying schedule of findings as items 2002-001 to 2002-003. We also noted certain immaterial instances of non compliance that we have reported to management of the Village in a separate letter dated June 16, 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 June 16, 2003.

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

This report is intended solely for the information and use of the 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

June 16, 2003

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

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

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2002--001

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(D), provides that no subdivision or taxing unit 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 for two exceptions to the above requirements:

1. Then and Now Certificates – 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 Board may authorize the issuance of a warrant in payment of amount due upon such contract or order by resolution within thirty (30) days from the receipt of such certificate.
2. 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 Board, if such expenditure is otherwise valid.

Our test of disbursements indicated that 100% of the expenditures tested were committed prior to the certification of available funds by the fiscal officer. Neither exception listed above was followed, contrary to Ohio Rev. Code 5705.41(D). This condition does not provide adequate accountability over the Village's disbursements. Obligations may be incurred which either the Council or management has not authorized or which the Village cannot afford.

The Village should establish control policies and procedures that are sufficient to ensure that purchases are certified and encumbered by the fiscal officer at the time of purchase.

FINDING NUMBER 2002--002

Section 5705.41(B), Revised Code, provides that no subdivision shall make any contract or order any expenditure of money unless it has been appropriated. In year 2001, the Village's Street Construction, Maintenance and Repair fund, and the Issue 2 fund had expenditures which exceeded appropriations by \$2,417 and \$6,947 respectively. In neither case were the total certified resources sufficient to allow the Village to have obtained an increased amended certificate to permit raising its appropriations.

The Clerk should deny any payment requests exceeding appropriations. The Clerk may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2002--003

Section 5705.10, Revised Code requires that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. The Village had a negative fund balance of (\$1,064) in its general fund as of December 31, 2001. The negative fund balance was at least partially a result of the prior audit adjustments relating to transfers in the 1999-2000 audit period.

We recommend that Village officials implement policies to provide assurance that monies paid into a fund only be used for the purpose of such a fund.

**VILLAGE OF YANKEE LAKE
TRUMBULL COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000--001	Revised Code, 5705.39, appropriations greater than certified resources.	Yes	
2000--002	Revised Code, 5705.36, Village should have obtained a reduced amended certificate.	Yes	
2000--003	Revised Code, 145.47 and 145.48, compulsory PERS membership	Yes	Former Clerk and Council Member is working with IRS to resolve the problem of retirement system withholdings. (Social security system)
2000--004	Section 3102, Internal Revenue Regulation. Medicare deduction.	Yes	Village has agreed to provide informational payroll amounts for 13 years, and will be required to pay 3 of those years. (has withheld and remitted such taxes for year 2002).
2000--005	Section 3401 through 3406, Internal Revenue Regulation, income tax withholding.	No	Village filed a 941 for year 2002, no amount noted for income tax withholding.
2000--006	Revised Code, 5705.46, withholding of State income tax	Yes	Village withheld and remitted State of Ohio income tax for year 2002.
2000--007	Revised Code, 5705.14, transfers from a restricted fund.	Yes	Village Clerk posted adjustments to reverse the transfers, no transfers during the current audit period.
2000--008	Revised Code, 5705.10, negative fund balance	No	Negative fund balance in general fund at the end of 2001. All fund balances were positive at the end of 2002. Village has been declared to be in fiscal watch as of 12/31/2001.



**Auditor of State
Betty Montgomery**

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800-282-0370
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VILLAGE OF YANKEE LAKE

TRUMBULL COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 22, 2003**