



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 of the cash balances, receipts and disbursements by fund type, and related notes of Village of Yorkville, Jefferson County, (the Village) as of and for the years ended December 31, 2014 and 2013.

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 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 opinions.

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 (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

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, 2014 and 2013, 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 County as of December 31, 2014 and 2013, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2016, 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 4, 2016

**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, 2014**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$84,100	\$10,843	\$20,856	\$115,799
Intergovernmental	157,934	66,188	4,621	228,743
Charges for Services		14,134		14,134
Fines, Licenses and Permits	23,358			23,358
Earnings on Investments	7			7
Miscellaneous	56,535	4,995		61,530
<i>Total Cash Receipts</i>	<u>321,934</u>	<u>96,160</u>	<u>25,477</u>	<u>443,571</u>
Cash Disbursements				
Current:				
Security of Persons and Property	166,126	28,238		194,364
Transportation		22,419	1,465	23,884
General Government	123,483	71,908	691	196,082
Capital Outlay	49,391			49,391
Debt Service:				
Principal Retirement	984	2,000	5,512	8,496
Interest and Fiscal Charges	2		19,275	19,277
<i>Total Cash Disbursements</i>	<u>339,986</u>	<u>124,565</u>	<u>26,943</u>	<u>491,494</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,052)</u>	<u>(28,405)</u>	<u>(1,466)</u>	<u>(47,923)</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(46)			(46)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(46)</u>			<u>(46)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(18,098)</u>	<u>(28,405)</u>	<u>(1,466)</u>	<u>(47,969)</u>
<i>Fund Cash Balances, January 1</i>	<u>128,438</u>	<u>194,781</u>	<u>155</u>	<u>323,374</u>
Fund Cash Balances, December 31				
Restricted		166,376		166,376
Unassigned (Deficit)	110,340		(1,311)	109,029
<i>Fund Cash Balances, December 31</i>	<u>\$110,340</u>	<u>\$166,376</u>	<u>(\$1,311)</u>	<u>\$275,405</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, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$264,000		\$264,000
<i>Total Operating Cash Receipts</i>	<u>264,000</u>		<u>264,000</u>
Operating Cash Disbursements			
Personal Services	125,805		125,805
Contractual Services	115,980		115,980
Supplies and Materials	17,280		17,280
<i>Total Operating Cash Disbursements</i>	<u>259,065</u>		<u>259,065</u>
<i>Operating Income (Loss)</i>	<u>4,935</u>		<u>4,935</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(23,799)		(23,799)
Interest and Other Fiscal Charges	(1,505)		(1,505)
Other Financing Sources		\$261,712	261,712
Other Financing Uses	(32,122)	(268,191)	(300,313)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(57,426)</u>	<u>(6,479)</u>	<u>(63,905)</u>
<i>Net Change in Fund Cash Balances</i>	(52,491)	(6,479)	(58,970)
<i>Fund Cash Balances, January 1</i>	<u>84,853</u>	<u>1,768</u>	<u>86,621</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$32,362</u></u>	<u><u>(\$4,711)</u></u>	<u><u>\$27,651</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 GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$80,936	\$9,939	\$20,226	\$111,101
Intergovernmental	138,195	137,200	4,466	279,861
Charges for Services	13,742	18,452		32,194
Fines, Licenses and Permits	7,830			7,830
Earnings on Investments	1,245	1		1,246
Miscellaneous	6,138	500	8,462	15,100
<i>Total Cash Receipts</i>	<u>248,086</u>	<u>166,092</u>	<u>33,154</u>	<u>447,332</u>
Cash Disbursements				
Current:				
Security of Persons and Property	162,180	106,140		268,320
Basic Utility Services		8,565		8,565
Transportation		75,146		75,146
General Government	121,311		679	121,990
Debt Service:				
Principal Retirement	1,911	17,193	16,243	35,347
Interest and Fiscal Charges	89	1,967		2,056
<i>Total Cash Disbursements</i>	<u>285,491</u>	<u>209,011</u>	<u>16,922</u>	<u>511,424</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,405)</u>	<u>(42,919)</u>	<u>16,232</u>	<u>(64,092)</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses	(826)			(826)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(826)</u>			<u>(826)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(38,231)</u>	<u>(42,919)</u>	<u>16,232</u>	<u>(64,918)</u>
<i>Fund Cash Balances, January 1</i>	<u>166,669</u>	<u>237,700</u>	<u>(16,077)</u>	<u>388,292</u>
Fund Cash Balances, December 31				
Restricted		194,781	155	194,936
Unassigned (Deficit)	128,438			128,438
<i>Fund Cash Balances, December 31</i>	<u>\$128,438</u>	<u>\$194,781</u>	<u>\$155</u>	<u>\$323,374</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, 2013**

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$241,266		\$241,266
<i>Total Operating Cash Receipts</i>	<u>241,266</u>		<u>241,266</u>
Operating Cash Disbursements			
Personal Services	124,402		124,402
Employee Fringe Benefits	19,733		19,733
Contractual Services	95,685		95,685
Supplies and Materials	38,368		38,368
<i>Total Operating Cash Disbursements</i>	<u>278,188</u>		<u>278,188</u>
<i>Operating Income (Loss)</i>	<u>(36,922)</u>		<u>(36,922)</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(22,592)		(22,592)
Interest and Other Fiscal Charges	(4,076)		(4,076)
Other Financing Sources		\$271,075	271,075
Other Financing Uses		(278,703)	(278,703)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(26,668)</u>	<u>(7,628)</u>	<u>(34,296)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(63,590)</u>	<u>(7,628)</u>	<u>(71,218)</u>
<i>Fund Cash Balances, January 1</i>	<u>148,443</u>	<u>9,396</u>	<u>157,839</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$84,853</u></u>	<u><u>\$1,768</u></u>	<u><u>\$86,621</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, 2014 AND 2013**

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 sanitation utilities, police services, and general governmental services. The Village contracts with the Yorkville Volunteer Fire Department to receive fire protection services.

The Village participates in a public entity risk pool. Note 7 to the financial statements provides additional information for this entity. This organization is:

Ohio Municipal Joint Self-Insurance Pool:

The Ohio Municipal Joint Self-Insurance Pool, (the "Pool") is an unincorporated non-profit association available to municipal corporations and their instrumentalities and provides property and casualty insurance for its members.

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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Fire Levy Fund – This fund receives proceeds from a tax levy to pay 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 it used to purchase equipment used in the operation of the village.

Sewer Maintenance Fund – This fund receives tax monies and is used to make debt payments for a sewer maintenance project.

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, 2014 AND 2013
(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 unencumbered cash as of January 1. The County Budget Commission must 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.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

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.

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.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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:

	2014	2013
Demand deposits	\$22,934	\$49,904
Other time deposits (savings and NOW accounts)	280,122	360,091
Total deposits	303,056	409,995

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

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$0	\$321,934	\$321,934
Special Revenue	0	96,160	96,160
Capital Projects	0	25,477	25,477
Enterprise	0	264,000	264,000
Total	\$0	\$707,571	\$707,571

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$340,032	(\$340,032)
Special Revenue	0	124,565	(124,565)
Capital Projects	0	26,943	(26,943)
Enterprise	0	316,491	(316,491)
Total	\$0	\$808,031	(\$808,031)

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$253,000	\$248,086	(\$4,914)
Special Revenue	92,330	166,092	73,762
Capital Projects	49,414	33,154	(16,260)
Enterprise	301,200	241,266	(59,934)
Total	\$695,944	\$688,598	(\$7,346)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$286,317	(\$286,317)
Special Revenue	0	209,011	(209,011)
Capital Projects	0	16,922	(16,922)
Enterprise	0	304,856	(304,856)
Total	\$0	\$817,106	(\$817,106)

Contrary to Ohio Revised Codes Sections 5705.41(B) and 5705.38, all budgetary expenditures in all funds exceeded appropriation authority for the years ended December 31, 2014 and 2013.

Also contrary to Ohio Revised Code Section 5705.36, the Village failed to certify available revenue to the County Auditor for years ended December 31, 2014. In addition, contrary to Ohio Revised Code Section 5705.10, the Village had deficit balances in the Sewer Maintenance Fund at December 31, 2013 and in the Equipment, Sewage and Payroll Clearing Funds for the year ended December 31, 2014.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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, 2014 was as follows:

	Principal	Interest Rate
OWDA Loan #2949	\$6,351	7%
OWDA Loan #4765	\$403,219	4%
USDA Bond Series 2010	\$32,300	4%
Total	\$441,870	

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 loans 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.

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.

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

Year ending	OWDA Loan	OWDA	USDA Bonds
December 31:	2949	Loan 4765	
2015	\$1,679	\$41,233	\$6,192
2016	1,679	41,233	6,096
2017	1,679	41,233	6,196
2018	1,679	41,233	6,184
2019	839	41,233	6,164
2020-2024		206,165	6,136
2025-2029		123,699	
Total	\$7,555	\$536,029	\$36,968

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013
(Continued)**

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 2014 and 2013, OP&F participants contributed from 10% to 11.5% of their wages. For 2014 and 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2014 and 2013, 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, 2014.

7. RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. The Pool is a separate legal entity per Section 2744 of the Ohio Revised Code. The Pool provides property and casualty insurance for its members. The Pool pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

The Pool changed its fiscal year end to March 31, effective in 2011, in order to align its financial reporting and budgeting with the renewal terms of its excess reinsurance policies.

The Pool cedes portions of its gross contribution written to a reinsurer under excess reinsurance agreements in order to limit its losses. Treaty basis excess-of-loss contracts in force protect the Pool against losses over the retention level; at March 31, 2014, retention levels are \$100,000 and \$175,000 for property and casualty coverages, respectively.

The Pool remains liable to the extent the reinsuring companies are unable to meet their contractual obligations under reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2013 and 2014.

	<u>2013</u>	<u>2014</u>
Assets	\$ 833,561	\$ 1,030,198
Liabilities	<u>(782,525)</u>	<u>(882,203)</u>
Accumulated Surplus	\$ <u>51,036</u>	\$ <u>147,995</u>

8. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

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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 43917-1217

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 cash balances, receipts, and disbursements by fund type of the Village of Yorkville, Jefferson County, (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated January 4, 2016 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.

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 opinion 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2014-001, 2014-003 and 2014-006 to be material weaknesses.

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 accompanying schedule of findings as items 2014-002, 2014-004 and 2014-005.

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 4, 2016

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2014 AND 2013**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2014-001

Material Weakness

Posting Receipts and Expenditures

Sound accounting practices require the Village to maintain an accounting system that enables them to identify, assemble, analyze, classify record and report all transactions. The Village Clerk/Treasurer did not correctly post all receipts and disbursements in 2013 and 2014. These mispostings resulted in reclassifications ranging from \$40 to \$278,703 in 2013, and from \$40 to \$268,191 in 2014.

2013:

Fund	Changes in Fund Balance Increase/(Decrease)
General	(\$4,010)
Fire Levy	\$656
Street Construction, Maintenance, and Repair	\$325
Permissive Motor Vehicle License Tax	\$1,426
State Highway	(\$11,934)
Sewer Maintenance	\$26,568
Village Equipment	\$12,000
Water	(\$10,558)
Sewer	(\$20,492)
Sanitation	\$7,009
Water Guarantee	(\$2,271)

2014:

Fund	Changes in Fund Balance Increase/(Decrease)
General	\$6,984
Fire Levy	\$491
Street Construction, Maintenance, and Repair	(\$9,550)
Permissive Motor Vehicle License Tax	\$800
State Highway	(\$1,002)
Sewer Maintenance	\$20,355
Water	\$10,559
Sewer	(\$22,124)
Sanitation	(\$7,009)
Water Guarantee	\$450

**FINDING NUMBER 2014-001
 (Continued)**

The Village Clerk/Treasurer did not abide by the adopted chart of accounts and did not have procedures in place to help ensure proper receipt and disbursement postings.

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.

The Village Clerk/Treasurer should review the current procedures for recording receipts and disbursements and review the adopted chart of accounts to determine the proper account codes in which to record various transactions. 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. The Village should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements.

FINDING NUMBER 2014-002

Non Compliance Citation

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used for the purpose for which it was established. We noted the following deficit balances during our audit period.

2013:	
Sewer Maintenance	\$9,987
2014:	
Village Equipment	1,311
Sewage Fund	31,210
Payroll Clearing	4,711

These deficit balances indicate that monies from another fund have been used to pay the obligations of the aforementioned fund.

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

FINDING NUMBER 2014-003

Noncompliance/Material Weakness

Reconciliation Process

The Village did not prepare accurate monthly bank to book reconciliations for all of 2013 and 2014. As a result, the Village was declared unauditible on March 26, 2015. All transactions were not recorded in the Village's accounting records, the Village also failed to correctly post prior audit adjustments, and inaccurate outstanding check lists were presented for both years. The Village sought outside help to compile monthly reconciliations, which involved posting receipts and disbursements that had been omitted

**FINDING NUMBER 2014-003
(Continued)**

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 transactions that should be included in the financial records are included.

In order to present both accurate cash reconciliations and financial statements, the following audit adjustments were agreed to and are reflected in the accompanying financial statements.

Year	Fund	Revenue	Expenditures
2013	General		\$1,280
2014	General		\$46

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 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.

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, the Village Council should review the monthly cash reconciliations, the support for the reconciliations, including accurate reconciling items and document the reviews.

FINDING NUMBER 2014-004

Non Compliance Citation

Ohio Rev. Code § 5075.36 states that on or about the first day of each fiscal year, the fiscal officer of each subdivision shall certify to the county auditor the total amount from all sources which is available for expenditures from each fund in the tax budget along with any unencumbered balances that existed at the end of the preceding year.

The Fiscal Officer did not file a certificate showing the total amount from all sources available for expenditures and the balances existing at the end of the year with the county auditor for 2014. Failure to file the certificate could result in appropriations exceeding the amounts of available resources.

The Village did not have procedures in place to help ensure compliance with this Ohio Revised Code requirement.

The Village Clerk/Treasurer should certify to the county auditor the total amount from all sources to establish limits for Council approved appropriations.

FINDING NUMBER 2014-005

Non Compliance Citation

Ohio Rev. Code § 5705.38 requires, in part, that on or about the first day of the fiscal year, an appropriations measure be passed. **Ohio Rev. Code § 5705.41(B)** provides that no subdivision or taxing unit is to expend money unless it has been appropriated.

The Village did not adopt an appropriation measure for 2014 or 2013. Expenditures are limited by the appropriations established for each fund; therefore, none of the expenditures made by the Village were in compliance with the Ohio Revised Code. The Clerk/Treasurer should not certify the availability of funds and should deny payment requests exceeding appropriations

Failure to pass an appropriation measure, which serves as a tool by which expenditures can be monitored, could result in overspending.

The Village did not have procedures in place to help ensure compliance with this requirement.

The Village should pass an appropriation measure as required so that expenditures can be monitored and compliance with the Ohio Revised Code provisions can be attained. Expenditures should be limited to established appropriations for each fund. In addition, the Clerk/Treasurer and Village Council should establish controls sufficient to help ensure budgetary compliance requirements are satisfied in a timely manner.

FINDING NUMBER 2014-006

Material Weakness

Fund Balance Policy/Classification

Governmental Accounting Standards Board Statement 54 requires the Village to establish a fund balance policy to ensure expenditures are incurred for purposes intended.

The Village failed to establish a fund balance policy. Without a fund balance policy in place, questions could arise as to how Village fund balances will be used.

The following Ending Equity fund balances were reclassified from Unassigned to Restricted:

2013 Reclassifications:

Fund	Adjusted Fund Balance	Amount	Original Fund Balance
Street Maintenance and Repair	Restricted Ending Equity	\$10,064	Not Assigned
Special Assessment	Restricted Ending Equity	4,490	Not Assigned
Permanent Motor Vehicle License	Restricted Ending Equity	9,141	Not Assigned
Drug Control	Restricted Ending Equity	835	Not Assigned
State Highway	Restricted Ending Equity	3,894	Not Assigned
Mayors Court	Restricted Ending Equity	40	Not Assigned
Fire Levy	Restricted Ending Equity	166,317	Not Assigned
Sewer Maintenance	Restricted Ending Equity	1	Not Assigned
Village Equipment	Restricted Ending Equity	154	Not Assigned

**FINDING NUMBER 2014-006
 (Continued)**

2014 Reclassifications:

Fund Name	Adjusted Fund Balance	Amount	Original Fund Balance
Street Maintenance and Repair	Restricted Ending Equity	\$9,731	Not Assigned
Special Assessment	Restricted Ending Equity	4,490	Not Assigned
Permanent Motor Vehicle License	Restricted Ending Equity	12,331	Not Assigned
Drug Control	Restricted Ending Equity	835	Not Assigned
State Highway	Restricted Ending Equity	889	Not Assigned
Mayors Court	Restricted Ending Equity	40	Not Assigned
Fire Levy	Restricted Ending Equity	138,060	Not Assigned

The Village did not have procedures in place to help ensure fund balances are classified properly.

The Village should adopt a fund balance policy. The policy should define whether the Village considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes from which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available.

For unrestricted fund balances, the classification should be based on the village's accounting policies regarding whether it considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

If a government does not establish a policy for its use of unrestricted fund balance amounts, it should consider that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Official's Response No responses were received from the Village.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2014 and 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-001	Finding for Recovery – Check incorrectly cashed by Yorkville Volunteer Fire Department	Yes	
2012-002	Ohio Rev. Code § 5705.10(I)	No	Reissued as Finding 2014-002
2012-003	Ohio Rev. Code § 5705.41 (D)	No	No longer cited
2012-004	Proper posting of receipts and expenditures	No	Reissued as Finding 2014-001
2012-005	OAC § 117-2-02(B)(1) and (2)	No	Reissued as Finding 2014-003



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
FEBRUARY 11, 2016**