



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, 2016 and 2015.

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 Government 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 Government as of December 31, 2016 and 2015, 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, 2016 and 2015, 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 November 18, 2017, on our consideration of the Government'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 Government's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2017

**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, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	68,695	14,685	17,874	101,254
Intergovernmental	142,962	52,147	2,222	197,331
Charges for Services	40,936	14,272		55,208
Fines, Licenses and Permits	5,225			5,225
Earnings on Investments	32			32
Miscellaneous	7,968	2,433		10,401
<i>Total Cash Receipts</i>	<u>265,818</u>	<u>83,537</u>	<u>20,096</u>	<u>369,451</u>
Cash Disbursements				
Current:				
Security of Persons and Property	145,116	49,012		194,128
Transportation		60,624	1,432	62,056
General Government	124,874	444		125,318
Capital Outlay	33,333		5,390	38,723
Debt Service:				
Principal Retirement			25,873	25,873
Interest and Fiscal Charges			14,157	14,157
<i>Total Cash Disbursements</i>	<u>303,323</u>	<u>110,080</u>	<u>46,852</u>	<u>460,255</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(37,505)</u>	<u>(26,543)</u>	<u>(26,756)</u>	<u>(90,804)</u>
Other Financing Receipts (Disbursements)				
Other Financing Uses			(358)	(358)
<i>Total Other Financing Receipts (Disbursements)</i>			<u>(358)</u>	<u>(358)</u>
<i>Net Change in Fund Cash Balances</i>	(37,505)	(26,543)	(27,114)	(91,162)
<i>Fund Cash Balances, January 1</i>	<u>137,091</u>	<u>149,195</u>	<u>(29,885)</u>	<u>256,401</u>
Fund Cash Balances, December 31				
Restricted		122,652		122,652
Assigned	99,586			
Unassigned (Deficit)			(56,999)	(56,999)
<i>Fund Cash Balances, December 31</i>	<u>\$99,586</u>	<u>\$122,652</u>	<u>(\$56,999)</u>	<u>\$165,239</u>

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	
Operating Cash Receipts			
Charges for Services	318,700	-	318,700
<i>Total Operating Cash Receipts</i>	<u>318,700</u>	<u>-</u>	<u>318,700</u>
Operating Cash Disbursements			
Personal Services	134,528	-	134,528
Contractual Services	49,218	-	49,218
Supplies and Materials	19,694	-	19,694
Other	58,763	-	58,763
<i>Total Operating Cash Disbursements</i>	<u>262,203</u>	<u>-</u>	<u>262,203</u>
<i>Operating Income (Loss)</i>	<u>56,497</u>	<u>-</u>	<u>56,497</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(5,000)	-	(5,000)
Interest and Other Fiscal Charges	(1,096)	-	(1,096)
Other Financing Sources	-	254,968	254,968
Other Financing Uses	-	(254,813)	(254,813)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(6,096)</u>	<u>155</u>	<u>(5,941)</u>
<i>Net Change in Fund Cash Balances</i>	50,401	155	50,556
<i>Fund Cash Balances, January 1</i>	<u>33,337</u>	<u>(5,662)</u>	<u>27,675</u>
<i>Fund Cash Balances, December 31</i>	<u><u>83,738</u></u>	<u><u>(5,507)</u></u>	<u><u>78,231</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, 2016**

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 jointly governed organization. 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 of 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, 2016
(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:

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, 2016
(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 reapportioned in the subsequent year.

A summary of 2016 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.

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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:

	2016
Demand deposits	\$229,562
Other time deposits (savings and NOW accounts)	13,908
Total deposits	<u>243,470</u>

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016**

2. Equity in Pooled Deposits and Investments – (Continued)

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 December 31, 2016 is as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$265,818	\$265,818
Special Revenue		83,537	83,537
Capital Projects		20,096	20,096
Enterprise		318,700	318,700
Total	\$0	\$688,151	\$688,151

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General		\$303,323	(\$303,323)
Special Revenue		110,080	(110,080)
Capital Projects		47,210	(47,210)
Enterprise		268,299	(268,299)
Total	\$0	\$728,912	(\$728,912)

Contrary to Ohio Revised Code Sections 5705.41(B) and 5705.38, The Village failed to approve appropriations thus all budgetary expenditures in all funds exceeded appropriation authority for the year ended December 31, 2016.

Contrary to Ohio Revised Code Section 5705.36, the Village failed to certify available revenue to the County Auditor for the year ended 2016. In addition, contrary to Ohio Revised Code Section 5705.10, the Village had deficit balances in the Village Equipment, Sewer Maintenance, Sewer and Payroll Clearing funds at December 31, 2016.

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.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

5. Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OWDA Loan #2949	\$3,747	6.58%
OWDA Loan #4765	\$355,222	4.47%
USDA Bond Series 2010	\$22,400	4.00%
LGIF	37,828	0.00%
Total	\$419,197	

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.

The LGIF (Local Government Initiative Fund) is for Multi-purpose Building Energy Efficiency Projects. The Village was approved for up to \$73,047. The Village will repay the loan in quarterly installments of \$1,841.18 beginning approximately March 2018 until loan is paid in full.

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

	OWDA Loan 2949	OWDA Loan 4765	USDA Bonds	LGIF
Year ending December 31:				
2017	1,679	41,233	6,196	
2018	1,679	41,233	6,184	7,365
2019	839	41,233	6,164	7,365
2020		41,233	6,136	7,365
2021		41,233		7,365
2022-2026		206,163		8,368
2027-2031		41,233		
Total	\$4,197	\$453,561	\$24,680	\$37,828

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(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 2016, OP&F participants contributed from 12.25% of their wages. For 2015 the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2016, 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, 2016.

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 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, 2016, retention levels are \$50,000 and \$100,000 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, 2016.

Assets	\$ 1,272,797
Liabilities	<u>(821,016)</u>
Accumulated Surplus	\$ <u>451,783</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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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, 2015**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	85,141	12,780	22,299	120,220
Intergovernmental	148,569	80,042		228,611
Charges for Services	38,993	15,136		54,129
Fines, Licenses and Permits	10,232			10,232
Earnings on Investments	37			37
Miscellaneous	15,538		1,368	16,906
<i>Total Cash Receipts</i>	<u>298,510</u>	<u>107,958</u>	<u>23,667</u>	<u>430,135</u>
Cash Disbursements				
Current:				
Security of Persons and Property	164,053	78,714		242,767
Community Environment	50			50
Transportation		46,121	10,121	56,242
General Government	126,906	304		127,210
Capital Outlay	21,861			21,861
Debt Service:				
Principal Retirement			24,729	24,729
Interest and Fiscal Charges			18,182	18,182
<i>Total Cash Disbursements</i>	<u>312,870</u>	<u>125,139</u>	<u>53,032</u>	<u>491,041</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(14,360)</u>	<u>(17,181)</u>	<u>(29,365)</u>	<u>(60,906)</u>
Other Financing Receipts (Disbursements)				
Other Debt Proceeds	37,828			37,828
Sale of Capital Assets	3,283		1,600	4,883
Other Financing Uses			(809)	(809)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>41,111</u>		<u>791</u>	<u>41,902</u>
<i>Net Change in Fund Cash Balances</i>	26,751	(17,181)	(28,574)	(19,004)
<i>Fund Cash Balances, January 1</i>	<u>110,340</u>	<u>166,376</u>	<u>(1,311)</u>	<u>275,405</u>
Fund Cash Balances, December 31				
Restricted		149,195		149,195
Unassigned (Deficit)	137,091		(29,885)	107,206
<i>Fund Cash Balances, December 31</i>	<u>\$137,091</u>	<u>\$149,195</u>	<u>(\$29,885)</u>	<u>\$256,401</u>

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

**COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	
Operating Cash Receipts			
Charges for Services	284,868	-	284,868
<i>Total Operating Cash Receipts</i>	<u>284,868</u>	<u>-</u>	<u>284,868</u>
Operating Cash Disbursements			
Personal Services	130,775	-	130,775
Contractual Services	80,615	-	80,615
Supplies and Materials	32,599	-	32,599
Other	33,712	-	33,712
<i>Total Operating Cash Disbursements</i>	<u>277,701</u>	<u>-</u>	<u>277,701</u>
<i>Operating Income (Loss)</i>	<u>7,167</u>	<u>-</u>	<u>7,167</u>
Non-Operating Receipts (Disbursements)			
Principal Retirement	(4,900)	-	(4,900)
Interest and Other Fiscal Charges	(1,292)	-	(1,292)
Other Financing Sources	-	269,276	269,276
Other Financing Uses	-	(270,227)	(270,227)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(6,192)</u>	<u>(951)</u>	<u>(7,143)</u>
<i>Net Change in Fund Cash Balances</i>	975	(951)	24
<i>Fund Cash Balances, January 1</i>	<u>32,362</u>	<u>(4,711)</u>	<u>27,651</u>
<i>Fund Cash Balances, December 31</i>	<u><u>33,337</u></u>	<u><u>(5,662)</u></u>	<u><u>27,675</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, 2015**

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 jointly governed organization. Note 7 to the financial statements provide 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 of 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, 2015
(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:

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, 2015
(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 appropriated in the subsequent year.

A summary of 2015 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, 2015
(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:

	2015
Demand deposits	<u>\$270,168</u>
Other time deposits (savings and NOW accounts)	<u>13,908</u>
Total deposits	<u>284,076</u>

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, 2015
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$339,621	\$339,621
Special Revenue		107,958	107,958
Capital Projects		25,267	25,267
Enterprise		284,868	284,868
Total	\$0	\$757,714	\$757,714

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$308,694	\$312,870	(\$4,176)
Special Revenue	114,300	125,139	(10,839)
Capital Projects	51,000	53,841	(2,841)
Enterprise	235,500	283,893	(48,393)
Total	\$709,494	\$775,743	(\$66,249)

Contrary to Ohio Revised Code Section 5705.41(B), budgetary expenditures in all fund types exceeded appropriation authority for the year ended December 31, 2015.

Also, contrary to Ohio Revised Code Section 5705.36, the Village failed to certify available revenue to the County Auditor for the year ended December 31, 2015. In addition, contrary to Ohio Revised Code Section 5705.10, the Village had deficit balances in the Village Equipment, Sewer Maintenance, Sewer and Payroll Clearing funds for the year ended December 31, 2015.

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.

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Continued)**

5. Debt

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OWDA Loan #2949	\$5,090	6.58%
OWDA Loan #4765	\$379,751	4.47%
USDA Bond Series 2010	\$27,400	4.00%
LGIF	37,828	0.00%
Total	\$450,069	

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.

The LGIF (Local Government Initiative Fund) is for Multi-purpose Building Energy Efficiency Projects. The Village was approved for up to \$73,047. The Village will repay the loan in quarterly installments of \$1,841.18 beginning approximately March 2018 until loan is paid in full.

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

	OWDA Loan 2949	OWDA Loan 4765	USDA Bonds	LGIF
Year ending December 31:				
2016	1,679	41,233	6,096	
2017	1,679	41,233	6,196	
2018	1,679	41,233	6,184	7,365
2019	839	41,233	6,164	7,365
2020		41,233	6,136	7,365
2021-2025		206,163		15,733
2026-2030		82,465		
Total	\$5,876	\$494,793	\$30,776	\$37,828

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(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 2015, OP&F participants contributed from 11.5% and 12.25% of their wages. For 2015 the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015, 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, 2015.

7. Risk Management

Risk Pool Membership

The Government 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, 2015, retention levels are \$50,000 and \$100,000 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 to generally accepted accounting principles, and reported the following assets, liabilities and retained surplus at March 31, 2015.

	<u>2015</u>
Assets	\$ 1,339,719
Liabilities	<u>(1,051,927)</u>
Accumulated Surplus	\$ <u>287,792</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, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 18, 2017 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 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.

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 letter 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 2016-001, 2016-003 and 2016-006 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 2016-002, 2016-004, 2016-005 and 2016-007.

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 initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

November 18, 2017

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

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 Fiscal Officer did not correctly post all receipts and disbursements in 2015 and 2016.

The Fiscal Officer has agreed to and posted the reclassifications and adjustments to the ledgers, which are reflected in the accompanying financial statements. While not all amounts are significant, reclassifications/adjustments were necessary to accurately reflect debt activity and to reconcile the Village at year end.

2015 Reclassifications:

Fund	Reclassified to:	Amount:	Reclassified from:
General	Debt Proceeds	\$37,828	Intergovernmental Revenue
General	Intergovernmental Revenue	98,951	Local Tax
General	Charges for Services	23,417	Fines, Permits and Licenses
General	Capital Outlay	21,860	General Government Expense
Fire	Security of Persons and Property	75,282	Transportation
Fire	Intergovernmental Revenue	13,267	Local Tax
Fire	Intergovernmental Revenue	16,316	Local Tax
Street Maintenance and Repairs	Intergovernmental Revenue	40,813	Local Tax
Permissive MVL	Local tax	2,663	Intergovernmental
Sewer Maintenance	Interest Expense	18,182	Principal Expense
Sewer Maintenance	Other Financing Uses	810	Principal Expense
Village Equipment	Miscellaneous Revenue	1,368	Local Tax
Sanitation	Principal Expense	4,900	Supplies/materials
Sanitation	Interest Expense	1,292	Supplies/materials

**FINDING NUMBER 2016-001
 (Continued)**

2015 Adjustments:

Fund	Adjusted To:	Amount	Reason for Adjustment
General	General Government Expense	\$(25)	Bank fee posted twice to ledger
General	Intergovernmental Revenue	11,384	Homestead and liquor permit posted to Street MR and State Hwy.
General	Charges for Services	1,500	Posted to Village Equipment.
Village Equipment	Fund Balance	(1,500)	Revenue incorrectly posted to Fund.
Street Maintenance and Repair	Fund Balance	(11,384)	Homestead and liquor permit
Water	Charges for Services	(33)	NSF not posted to ledger
General	Miscellaneous	1,459	Posted to Water Fund as charges for services

2016 Reclassifications:

Fund	Reclassified from:	Amount	Reclassified to:
General	General Government Expense	\$19,129	Security of Persons & Property
General	Capital Outlay Expense	33,333	General Government Expense
General	Intergovernmental Revenue	94,709	Local Tax
General	Charges for Services	26,942	Miscellaneous Revenue
Equipment	Capital Outlay Expense	5,391	General Government Expense
Fire	Intergovernmental Revenue	13,043	Local Tax
Fire	Security of Persons & Property	46,791	Transportation Expense
Street M & R	Intergovernmental Revenue	31,651	Taxes
Permissive MVL	Local Tax	2,958	Intergovernmental Revenue
Sewer Maintenance	Interest Expense	14,157	Principal Expense
Sewer Maintenance	Other Financing Uses	358	Principal Expense
Sanitation	Principal Expense	5,000	Supplies/Materials
Sanitation	Interest Expense	1,096	Supplies/Materials

**FINDING NUMBER 2016-001
 (Continued)**

2016: Adjustments

Fund	Adjusted To:	Amount	Reason for Adjustment
General	Interest Income	\$25	Not posted to ledger
General	Intergovernmental Revenue	8,443	Posted to Street – Taxes
Fire	Intergovernmental Revenue	444	Posted to Street – Taxes, State Hwy – Intergovernmental
Sewer Maintenance	Intergovernmental Revenue	2,222	Posted to Street – Taxes and State Hwy – Intergovernmental
Street M & R	Intergovernmental Revenue	3,646	Posted to State Hwy - Intergovernmental
Sewer Maintenance	Reduce Fund Balance	(42,198)	Posted as Transfer In/ Audit Adjustment
Water	Contractual Service	400	Check voided that actually cleared the bank
Sewer	Charges for Services	784	Posted to Water – charges for services
Sanitation	Charges for Services	476	Posted to water and Guarantee Deposits – charges for services

The Fiscal Officer 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 Fiscal Officer should review the current procedures for recording receipts and disbursements and review the adopted chart of accounts to help determine the proper account codes in which to record various transactions. The Fiscal Officer 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 2016-002

Non Compliance Citation – Deficit Balances

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.

2015:	
Village Equipment	\$8,463
Sewer Maintenance	21,422
Sewer	33,317
Payroll Clearing	5,662
2016:	
Village Equipment	\$14,286
Sewage Maintenance	42,714
Sewer	10,245
Payroll Clearing	5,507

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

FINDING NUMBER 2016-003

Material Weakness – Reconciliation Process

The reconciliation of the accounting records of the Village to the cash (bank) balances is the most basic and primary control process performed by the fiscal officer of an organization. Lack of completing an accurate and timely reconciliation may allow for accounting errors, theft and fraud to occur without timely detection. The Village Fiscal Officer is responsible for reconciling the Village's book (fund) balance to the total bank balance on a monthly basis.

The Village Fiscal Officer did not prepare accurate monthly bank to book reconciliations for all of 2015 and 2016. As a result, the Village was declared unauditible on May 18, 2017. The Village sought outside help to compile monthly reconciliations, which involved identifying receipts and disbursements that had been omitted.

Failure to reconcile monthly 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 lack of accurate monthly reconciliations increases the risk of theft/fraud over the cash cycle.

The Fiscal Officer should record all transactions and prepare monthly bank to book cash reconciliations, which include all bank accounts and all fund balances. Variances should be investigated, documented and corrected. In addition, Village Council should review the monthly cash reconciliations including the support for the reconciliations such as reconciling items and document the reviews.

FINDING NUMBER 2016-004

Non Compliance Citation – Certificate of Ending Balance

Ohio Rev. Code § 5705.36 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 Village did not have procedures in place to ensure compliance. 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 or 2015, which impacted the 2015 and 2016 budgetary activity. Failure to file the certificate of ending balance could result in appropriations exceeding the amounts of available resources.

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

FINDING NUMBER 2016-005

Non Compliance Citation - Appropriations

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.

In 2015, the Village had expenditures in several funds which exceeded appropriations.

In 2016 the Village did not adopt an appropriation measure; therefore none of the expenditures made by Village were in compliance. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations.

2015:

Fund	Appropriations	Expenditures	Variance	Percent
General	\$308,694	\$339,620	(\$30,926)	1%
Fire Levy	42,500	79,018	(\$36,518)	46%
Village Equipment	8,000	10,120	(\$2,120)	21%
Sewer Maintenance	43,000	43,720	(\$720)	2%
Water	80,500	104,497	(\$23,997)	3%
Sewer	70,000	101,593	(\$31,593)	31%
Sanitation	70,000	77,523	(\$7,523)	10%

**FINDING NUMBER 2016-005
 (Continued)**

2016:

Fund	Appropriations	Expenditures	Variance	Percentage
General		\$303,323	(303,323)	100%
Special Revenue Funds		110,080	(110,080)	100%
Capital Project Funds		47,210	(47,210)	100%
Enterprise Funds		268,299	(268,299)	100%

The Village did not have procedures in place to help ensure compliance with this Ohio Revised Code requirement. The Village should pass an appropriation measure as required to help ensure disbursements can be monitored and compliance with the Ohio Revised Code provisions can be attained. Disbursements should be limited to Council approved appropriations for each fund.

FINDING NUMBER 2016-006

Material Weakness – Budgetary Amounts

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow Village council to make informed decisions regarding budgetary matters.

The Fiscal Officer did not post the amounts of the 2015 appropriations approved by Council to the accounting system. The Village did not pass 2016 appropriations nor did they obtain a Certificate of Estimated Resources for either 2015 or 2016. As such, there were no amounts to post to the accounting system.

The appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipt ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting ledgers.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over Village receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by Council. The Fiscal Officer and Council should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

FINDING NUMBER 2016-007

Noncompliance – State Taxes

Ohio Rev. Code § 5747.06 provides that every employer, including political subdivisions, maintaining an office or transacting business within this state and making payment of any compensation to any employee who is a taxpayer shall deduct and withhold from such compensation for each payroll period a tax computed in such manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee under this chapter and Chapter 5748 of the Revised Code with respect to the amount of such compensation included in the employee's adjusted gross income during the calendar year.

The Village failed to timely remit the following Ohio Income Taxes withheld for all quarters in 2015 and 2016:

YEAR	AMOUNT
2015	\$5,661
2016	\$5,628

Failure to remit timely could result in penalties being assessed to the Village. The Fiscal Officer remitted the taxes on September 11, 2017. A referral will be made to the State of Ohio Treasurer.

The Village should take the necessary steps to help ensure that state taxes are properly withheld and remitted for all Village employees. In additions, steps need implemented to help ensure the Village is not subject to penalties which are not considered proper expenditure of public fund.

Official's Response: No responses received from officials.

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VILLAGE OF YORKVILLE

139 Market Street
Yorkville, Ohio 43917-1217

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016 and 2015**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2014-001	Posting receipts and expenditures	No	Repeated as 2016-001
2014-002	Ohio Rev. Code § 5705.10(I)	No	Repeated as 2016-002
2014-003	Reconciliation Process	No	Repeated as 2016-003
2014-004	Ohio Rev. Code §5705.36	No	Repeated as 2016-004
2014-005	Ohio Rev. Code §5705.38	No	Repeated as 2016-005
2014-006	Fund Balance Policy/Classification	No	Noted in Management Letter

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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
JANUARY 4, 2018