



**Auditor of State
Betty Montgomery**

VILLAGE OF YORKSHIRE
DARKE COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Yorkshire
Darke County
P.O. Box 567
Yorkshire, Ohio 45388

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Yorkshire, Darke County (the Village), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2003, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Village of Yorkshire
Darke County
Independent Accountants' Report
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This report is intended solely for the information and use of the management, Village Council, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 13, 2003

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,056		\$1,056
Intergovernmental Receipts	28,855	\$7,633	36,488
Rental Income	1,025		1,025
Earnings on Investments	1,739	112	1,851
Miscellaneous	296		296
	<u>32,971</u>	<u>7,745</u>	<u>40,716</u>
Cash Disbursements:			
Security of Persons and Property	2,358		2,358
Public Health Services	275		275
Basic Utility Services	5,628		5,628
Transportation		1,959	1,959
General Government	15,208		15,208
	<u>23,469</u>	<u>1,959</u>	<u>25,428</u>
Total Receipts Over Disbursements	<u>9,502</u>	<u>5,786</u>	<u>15,288</u>
Fund Cash Balances, January 1	<u>97,394</u>	<u>15,779</u>	<u>113,173</u>
Fund Cash Balances, December 31	<u>\$106,896</u>	<u>\$21,565</u>	<u>\$128,461</u>

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

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

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

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property Tax and Other Local Taxes	\$1,038		\$1,038
Intergovernmental Receipts	30,158	\$7,280	37,438
Rental Income	1,330		1,330
Earnings on Investments	2,829	186	3,015
Miscellaneous	383		383
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	35,738	7,466	43,204
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Security of Persons and Property	2,341		2,341
Public Health Services	269		269
Basic Utility Services	4,830		4,830
Transportation		2,410	2,410
General Government	13,404		13,404
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	20,844	2,410	23,254
	<hr/>	<hr/>	<hr/>
Total Receipts Over Disbursements	14,894	5,056	19,950
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	82,500	10,723	93,223
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$97,394</u>	<u>\$15,779</u>	<u>\$113,173</u>

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

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Yorkshire, Darke County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general government services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not use the encumbrance method of accounting.

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

The Village was in not in compliance with Ohio Rev. Code, Section 5705.41(D), requiring the certification that funds are available prior to incurring expenditure obligations for both 2002 and 2001.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2002</u>	<u>2001</u>
Demand deposits	\$87,372	\$73,413
Certificates of deposit	41,089	39,760
Total deposits	<u>\$128,461</u>	<u>\$113,173</u>

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Village.

At December 31, 2001, \$13,733 in Village deposits were not insured or collateralized, contrary to Ohio Rev. Code Section 135.18.

3. BUDGETARY ACTIVITY

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

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,160	\$32,971	\$6,811
Special Revenue	6,000	7,745	1,745
Total	\$32,160	\$40,716	\$8,556

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,100	\$23,469	\$26,631
Special Revenue	7,350	1,959	5,391
Total	\$57,450	\$25,428	\$32,022

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,150	\$35,738	\$10,588
Special Revenue	7,000	7,466	466
Total	\$32,150	\$43,204	\$11,054

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$56,893	\$20,844	\$36,049
Special Revenue	7,350	2,410	4,940
Total	\$64,243	\$23,254	\$40,989

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

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

4. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. RETIREMENT SYSTEMS

The Village's Council, Mayor, and Clerk belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001 and 2002. The Village has paid all contributions required through December 31, 2002.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland Marine;
- Crime;
- Wrongful Acts; and
- Electronic Data Processing.



Auditor of State Betty Montgomery

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

Village of Yorkshire
Darke County
P.O. Box 567
Yorkshire, Ohio 45388

To the Village Mayor and Council:

We have audited the accompanying financial statements of the Village of Yorkshire, Darke County (the Village), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated March 13, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2002-30319-001 thru 2002-30319-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 13, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated March 13, 2003.

Village of Yorkshire
Darke County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of the management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 13, 2003

VILLAGE OF YORKSHIRE
DARKE COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

Noncompliance - Ohio Administrative Code:

FINDING NUMBER 2002-30319-001

Ohio Admin. Code, Section 117-2-02 (A) requires the Village to maintain an accounting system and accounting records sufficient to enable the Village to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements, and prepare financial statements required by rule 117-02-03 of the Administrative Code.

The annual financial reports filed with the Auditor of State of Ohio by the Village for 2002 and 2001 were incomplete and adjustments were necessary in order present the financial statements for each year properly and reconcile to the depository balance. The beginning and ending General Fund balances for 2002 and 2001 maintained by the Village were not correctly reported as they did not agree to the audited 2000 ending balances. There were also significant misstatements of General Fund revenue line items due to improper posting to the accounting system. In addition, the Village reported revenue for municipal income tax and charges for services which the Village does not receive and failed to report interest revenue that was received.

The failure to post financial data accurately prevents the Village's Council from having reliable financial reports to monitor the Village's financial position. The Clerk should maintain the fund balances of the Village funds accurately and promptly post revenues received to the appropriate revenue account.

FINDING NUMBER 2002-30319-002

Ohio Admin. Code Section 117-2-02 (C)(1) states all local public offices should integrate the budgetary accounts, at legal level of control or lower into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The Village ledgers did not indicate the balances of estimated resources available or the balances of remaining appropriations. The failure to maintain balances of available resources and appropriations could lead to deficit spending and deficit fund balances.

The Village should implement procedures to improve the accounting system which would provide on-going and timely information of unrealized budgeted receipts and the remaining uncommitted balances of appropriations.

VILLAGE OF YORKSHIRE
DARKE COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001

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

Noncompliance - Ohio Revised Code:

FINDING NUMBER 2002-30319-003

Ohio Rev. Code Sections 135.18, requires the Treasurer of a political subdivision to require the depository to provide as security an amount equal to the funds on deposit at all times. Such security may consist of federal deposit insurance, surety company bonds, pledged securities, or pooled collateral as authorized by Ohio Rev. Code Section 135.181.

The Village's deposits at their banking institution were in excess of the amounts covered by Federal Depository Insurance (FDIC) for 2001 by \$13,733. The Village failed to require their bank to provide specific or pooled collateral as security for the amount of funds on deposit in excess of the amounts insured by FDIC. For 2001, the Bank's depository agreement stated that a U.S. Treasury Bill in amount of \$500,000 would be pledged as security. However, upon our request, the bank was unable to produce documentation that the security ever existed.

The Village should put procedures in effect to routinely monitor compliance with the security requirements for deposits.

FINDING NUMBER 2002-30319-004

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification.

The Village Clerk failed to comply with the exception requirement and issue the required certification at the time of payment for disbursements that were not encumbered at the time the contract or order was entered into. The Village did not provide prior certification for any Village expenditures during 2001 and 2002.

The Village Council and Clerk should adopt procedures to improve compliance with the certification requirement.

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30319-001	Ohio Admin. Code Section 117-2-02(A), annual report presentation	No	Not Corrected, reissued as finding number 2002-30319-001.
2000-30319-002	Ohio Admin. Code Section 117-2-02 (C)(1), budgetary accounts in accounting system	No	Not Corrected, reissued as finding number 2002-30319-002.
2000-30319-003	Ohio Rev. Code Section 5705.41(B), expenditures in excess of appropriations	Partially Corrected	Not Fully Corrected; there were expenditures prior to approved appropriations, but re-issued as a management letter citation.
2000-30319-004	Ohio Rev. Code Section 5705.41(D), prior certification of funds	No	Not Corrected, reissued as finding number 2002-30319-004.



**Auditor of State
Betty Montgomery**

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800-282-0370
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VILLAGE OF YORKSHIRE

DARKE 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
APRIL 17, 2003**