



Dave Yost • Auditor of State



VILLAGE OF YORKSHIRE  
DARKE COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2010.....	5
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2010.....	6
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009.....	7
Statement of Cash Receipts, Cash Disbursements, and Change in Fund Cash Balance - Proprietary Fund Type - For the Year Ended December 31, 2009.....	8
Notes to the Financial Statements .....	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	20

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# Dave Yost • Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

October 20, 2011

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Yorkshire, Darke County, (the Village) as of and for the years ended December 31, 2010 and 2009. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2010 and 2009 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2010 and 2009, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Village of Yorkshire, Darke County, as of December 31, 2010 and 2009, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2011, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

October 20, 2011



**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, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$1,630		\$1,630
Intergovernmental	24,683	\$5,267	29,950
Special Assessments		723	723
Earnings on Investments	753	56	809
Miscellaneous	2,031		2,031
Total Cash Receipts	<u>29,097</u>	<u>6,046</u>	<u>35,143</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	4,238		4,238
Public Health Services	347		347
Community Environment	349		349
Basic Utility Service	6,426		6,426
Transportation		2,228	2,228
General Government	25,747		25,747
<b>Debt Service:</b>			
Redemption of Principal		4,279	4,279
Total Cash Disbursements	<u>37,107</u>	<u>6,507</u>	<u>43,614</u>
Total Receipts Over/(Under) Disbursements	<u>(8,010)</u>	<u>(461)</u>	<u>(8,471)</u>
<b>Other Financing Receipts / (Disbursements):</b>			
Transfers-Out	(3,000)		(3,000)
Total Other Financing Receipts / (Disbursements)	<u>(3,000)</u>		<u>(3,000)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(11,010)	(461)	(11,471)
Fund Cash Balances, January 1	<u>92,303</u>	<u>36,011</u>	<u>128,314</u>
Fund Cash Balances, December 31	<u><u>\$81,293</u></u>	<u><u>\$35,550</u></u>	<u><u>\$116,843</u></u>

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

**VILLAGE OF YORKSHIRE  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Non-Operating Cash Receipts:</b>	
Other Debt Proceeds	\$26,400
Total Non-Operating Cash Receipts	26,400
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	26,778
Total Non-Operating Cash Disbursements	26,778
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(378)
Transfers-In	3,000
Net Receipts Over/(Under) Disbursements	2,622
Fund Cash Balance, January 1	0
Fund Cash Balance, December 31	\$2,622

*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, 2009**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$1,559		\$1,559
Intergovernmental	24,342	\$4,874	29,216
Special Assessments		3,337	3,337
Earnings on Investments	1,144	82	1,226
Miscellaneous	9,630		9,630
Total Cash Receipts	<u>36,675</u>	<u>8,293</u>	<u>44,968</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	3,815		3,815
Public Health Services	364		364
Community Environment	4,050		4,050
Basic Utility Service	6,182		6,182
Transportation		1,100	1,100
General Government	51,228		51,228
<b>Debt Service:</b>			
Redemption of Principal		4,279	4,279
Total Cash Disbursements	<u>65,639</u>	<u>5,379</u>	<u>71,018</u>
Total Receipts Over/(Under) Disbursements	<u>(28,964)</u>	<u>2,914</u>	<u>(26,050)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(28,964)	2,914	(26,050)
Fund Cash Balances, January 1	<u>121,267</u>	<u>33,097</u>	<u>154,364</u>
Fund Cash Balances, December 31	<u>\$92,303</u>	<u>\$36,011</u>	<u>\$128,314</u>

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

**VILLAGE OF YORSHIRE  
DARKE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGE IN FUND CASH BALANCE - PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Non-Operating Cash Receipts:</b>	
Other Debt Proceeds	\$37,300
Total Non-Operating Cash Receipts	37,300
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	37,300
Total Non-Operating Cash Disbursements	37,300
Net Receipts Over/(Under) Disbursements	
Fund Cash Balances, January 1	0
Fund Cash Balances, December 31	\$0

*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, 2010 AND 2009**

**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 Yorkshire, Darke County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services. The Village contracts with Osgood Fire Department to receive fire protection services.

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

**B. Accounting Basis**

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

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

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village values certificates of deposit 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 reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

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

**VILLAGE OF YORKSHIRE  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3. 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:

**Sewer Fund** - This fund receives funds from OWDA to cover sewer service construction costs.

**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, function or object level of control, and appropriations may not exceed estimated resources. The Village 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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**F. 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.

**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:

	<u>2010</u>	<u>2009</u>
Demand deposits	\$ 70,051	\$ 79,556
Certificates of deposit	49,414	48,758
Total deposits and investments	<u>\$119,465</u>	<u>\$128,314</u>

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

**VILLAGE OF YORKSHIRE  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2010 and 2009 follows:

<b>2010 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$28,490	\$29,097	\$ 607
Special Revenue	6,000	6,046	46
Enterprise		29,400	29,400
Total	\$34,490	\$64,543	\$30,053

<b>2010 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$84,456	\$40,107	\$44,349
Special Revenue	8,250	6,507	1,743
Enterprise		26,778	(26,778)
Total	\$92,706	\$73,392	\$19,314

<b>2009 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$26,490	\$36,675	\$10,185
Special Revenue	6,000	8,293	2,293
Enterprise		37,300	37,300
Total	\$32,490	\$82,268	\$49,778

<b>2009 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$96,973	\$ 65,639	\$31,334
Special Revenue	8,250	5,379	2,871
Enterprise		37,300	(37,300)
Total	\$105,223	\$108,318	(\$ 3,095)

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Sewer fund by \$26,778 and \$37,300, respectively, for the years ended December 31, 2010 and 2009.

**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.

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.

**VILLAGE OF YORKSHIRE  
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2010 AND 2009  
(Continued)**

**5. DEBT**

Debt outstanding at December 31, 2010 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Public Works Commission Loan	\$ 70,602	0%
Ohio Water Development Authority Loan	63,700	0%
Total	\$134,302	

The Ohio Public Work Commission (OWPC) loan relates to a street reconstruction project. The OPWC approved up to \$85,577 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$2,139 over 20 years. The schedule payment amount below reflects the \$70,602 remaining principal. The payments are made from the Street Construction, Maintenance, and Repair Fund.

The Ohio Water Development Authority (OWDA) loan relates to sewer construction. The OWDA approved up to \$527,816 in loans to the Village for this project. The Village will repay the loans in semiannual installments once the project is complete. The OWDA will adjust scheduled payment to reflect any revisions in amounts the Village actually borrows.

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

<b>Year ending December 31:</b>	<b>OWPC Loan</b>
2011	\$ 4,278
2012	4,278
2013	4,278
2014	4,278
2015	4,278
2016-2020	21,390
2021-2025	21,390
2026-2027	6,432
Total	\$70,602

**8. RETIREMENT SYSTEMS**

The Village's employees belong to the Ohio public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2010 and 2009, 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, 2010.

**9. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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





# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of Yorkshire, Darke County, (the Village) as of and for the year ended December 31, 2010 and 2009, and have issued our report thereon dated October 20, 2011 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2010-01 and 2010-04 described in the accompanying schedule of findings 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, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2010-01 through 2010-03.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated October 20, 2011.

We intend this report solely for the information and use of management, Council, and others within the Village. We intend it for no one other than these specified parties.

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

October 20, 2011

**VILLAGE OF YORKSHIRE  
DARKE COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2010 AND 2009**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2010-01**

**NONCOMPLIANCE AND MATERIAL WEAKNESS**

**Ohio Rev. Code Section 733.28** requires that the Village Clerk shall keep the books of the Village, exhibit accurate statements of all moneys received and expended, of all the property owned by the Village and the income derived there from, and of all taxes and assessments. **Ohio Admin. Code Section 117-2-02**, states, in part, that all public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village's financial reports for 2010 and 2009 contained errors, including amounts per the financial reports not agreeing to the underlying manual accounting ledgers, which resulted in reclassifications and adjustments to correctly report the financial activity of Village as follows:

**2010 General Fund:**

- Intergovernmental Revenue was understated \$1,395
- Fines, Licenses and Permits Revenue was overstated \$1,698
- Interest Revenue was understated \$701
- Miscellaneous Revenue was understated \$303
- Security of Persons and Property Expenditures overstated \$1,982
- Community Environment Expenditures were understated \$349
- General Government Expenditures were understated \$444
- Beginning Fund Balance was understated \$51,274
- Ending Fund balance was understated \$53,164

**2010 Special Revenue:**

- Security of Persons and Property Expenditures overstated \$764
- Basic Utility Service Expenditures were overstated \$27
- Transportation Expenditures were understated \$2,228
- General Government Expenditures were overstated \$247
- Beginning Fund Balance was overstated \$2,561
- Ending Fund balance was overstated \$3,751

**2009 General Fund:**

- Property Taxes Revenue was overstated \$1,049
- Intergovernmental Revenue was understated \$1,361
- Interest Revenue understated \$1,018
- Security of Persons and Property Expenditures were overstated \$1,993
- Public Health Services Expenditures were understated \$182
- Community Environment Expenditures were understated \$4,050
- Basic Utility Service Expenditures were understated \$182
- General Government Expenditures were overstated \$2,064
- Beginning Fund Balance was understated \$50,300
- Ending Fund balance was understated \$51,274

**FINDING NUMBER 2010-01  
(Continued)**

**2009 Special Revenue:**

Security of Persons and Property Expenditures were overstated \$805  
Transportation Expenditures were understated \$1,100  
General Government Expenditures were overstated \$295  
Beginning Fund Balance was overstated \$2,561  
Ending Fund balance was overstated \$2,561

Also, the financial activity that occurred during 2009 related to the Village's sewer project was not recorded on the Village's records or financial statements resulting in the following misstatements:

Other Debt Proceeds was understated \$37,300  
Capital Outlay was understated \$37,300

The Village did establish a Fund for this sewer construction project during 2010; however, it was inappropriately classified as a Governmental Capital Projects Fund Type and should have been classified as a Proprietary Enterprise Fund Type resulting in the following misstatements:

Operating General Government Disbursements were overstated \$26,778 (Capital Projects Fund)  
Non Operating capital outlay was understated \$26,778 (Proprietary Fund)  
Non Operating intergovernmental revenue was overstated \$26,400 (Capital Project Fund)  
Non Operating other debt proceeds was understated \$26,400 (Proprietary Fund)

The Village adjusted the financial statements and ledgers for the above errors.

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities. The Village fiscal officer should reconcile the annual financial report to the underlying manual accounting ledgers to determine the completeness and accuracy of the annual financial report. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed over the Village accounting records as a means of providing for improved accuracy.

**Official's Response:**

The Client has chosen to not respond to the above finding.

**FINDING NUMBER 2010-02**

**NONCOMPLIANCE**

**Ohio Rev. Code Section 5705.41(D)(1)** states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**FINDING NUMBER 2010-01  
(Continued)**

1. **“Then and Now” Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.
  - Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not properly certify the availability of funds prior to purchase commitment for any expenditures in 2009 and 2010, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and lead to negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village’s funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, “then and now” certification should be used.

**Official’s Response:**

The Client has chosen to not respond to the above finding.

**FINDING NUMBER 2010-03**

**NONCOMPLIANCE**

**Ohio Rev. Code §5705.41(B)** prohibits expenditures unless the funds have been properly appropriated. This prohibits expenditures from exceeding appropriations.

Contrary to this requirement the Village had the following expenditures in excess of the amounts appropriated at December 31, 2010 and 2009:

**FINDING NUMBER 2010-03  
 (Continued)**

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
Sewer Fund 2010	\$0	\$26,778	(\$26,778)
Sewer Fund 2009	\$0	\$37,300	(\$37,300)

To prevent deficits from occurring the Village should not expend funds unless the funds have been appropriated by the Council.

The Clerk-Treasurer should closely monitor the Village budgetary financial reports throughout the year so that expenditures do not exceed the appropriations at the legal level of control.

**Official’s Response:**

The Client has chosen to not respond to the above finding.

**4. Classification of Sewer Fund**

**FINDING NUMBER 2010-04**

**MATERIAL WEAKNESS**

Governmental accounting standards establish proper presentation guidelines for governmental funds based on the purpose and use of the fund.

**GASB Codification 1300:**

.106 states *capital projects funds*—to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds should be accounted for through a capital projects fund.

.109 *Enterprise funds* may be used to report any activity for which a fee is charged to external users for goods or services. Activities are *required* to be reported as enterprise funds if any one of the following criteria is met. Governments should apply each of these criteria in the context of the activity's *principal revenue sources*.

- a. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit—even if that government is not expected to make any payments—is not payable solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable “solely” from the revenues of the activity.)
- b. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- c. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

The Village established a sewer fund to receive loans and grants proceeds from the Ohio Water Development Authority (OWDA) to construct a sanitary sewer system. However the Village improperly classified the fund as a capital projects fund type rather than an enterprise fund type. This represented 100% of the activity in the capital projects fund type. The audited financial statements and the Village records were adjusted to reflect the presentation of the Sewer fund as an Enterprise Fund.

**FINDING NUMBER 2010-04  
(Continued)**

Failure to accurately present financial statement funds according to Governmental fund accounting standards could result in misleading users of the statements. The Village should implement procedures over the report process to verify that all activity is properly classified according to the definitions set forth by GASB. The Council should also approve establishment of any new funds.

**Official's Response:**

The Client has chosen to not respond to the above finding.

**VILLAGE OF YORKSHIRE  
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2010 AND 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2008-001	<b>Ohio Rev. Code 5705.41(D)</b> , no prior certification by fiscal officer.	No	Repeated as finding 2010-002
2008-002	<b>Ohio Admin. Code, Section 117-2-02 (A)</b> requires the Village to maintain an accounting system and records sufficient to enable the Village to prepare financial statements required by rule 117-02-03 of the Administrative Code.	No	Repeated as finding 2010-001
2008-003	Bank reconciliations, bank to book not properly reconciled.	No	Partially corrected; repeated as management letter comment





# Dave Yost • Auditor of State

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  
DECEMBER 6, 2011