



Dave Yost • Auditor of State

VILLAGE OF YORKSHIRE
DARKE COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Yorkshire, Darke County, (the Village) as of and for the years ended December 31, 2012 and 2011.

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 of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; 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 opinion.

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, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position or cash flows 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 Yorkshire, Darke County as of December 31, 2012 and 2011, 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 permits, described in Note 1.

Emphasis of Matter

As discussed in Note 8 to the financial statements, during 2011 the Village of Yorkshire adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$1,167		\$1,167
Intergovernmental	18,701	15,086	33,787
Special Assessments	405	603	1,008
Earnings on Investments	279	21	300
Miscellaneous	1,476		1,476
Total Cash Receipts	<u>22,028</u>	<u>15,710</u>	<u>37,738</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,252		2,252
Basic Utility Services	6,360		6,360
Transportation		555	555
General Government	23,642	424	24,066
Capital Outlay		9,635	9,635
Debt Service:			
Principal Retirement		4,279	4,279
Total Cash Disbursements	<u>32,254</u>	<u>14,893</u>	<u>47,147</u>
Net Change in Fund Cash Balances	(10,226)	817	(9,409)
Fund Cash Balances, January 1	<u>70,443</u>	<u>33,952</u>	<u>104,395</u>
Fund Cash Balances, December 31:			
Unassigned	60,217		60,217
Restricted		34,769	34,769
Fund Cash Balances, December 31	<u>\$60,217</u>	<u>\$34,769</u>	<u>\$94,986</u>

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

VILLAGE OF YORKSHIRE
DARKE COUNTY

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$13,195
Total Operating Cash Receipts	13,195
Operating Cash Disbursements:	
Other	5,814
Total Operating Cash Disbursements	5,814
Operating Income	7,381
Non-Operating Receipts (Disbursements):	
Intergovernmental	113,651
Capital Outlay	(117,751)
Principal Retirement	(13,195)
Total Non-Operating Receipts (Disbursements)	(17,295)
Net Change in Fund Cash Balances	(9,914)
Fund Cash Balances, January 1	24,601
Fund Cash Balances, December 31	\$14,687

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

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$1,209		\$1,209
Intergovernmental	24,584	195,551	220,135
Special Assessments		603	603
Fines, Licenses and Permits	274		274
Earnings on Investments	495	44	539
Miscellaneous	1,209		1,209
Total Cash Receipts	<u>27,771</u>	<u>196,198</u>	<u>223,969</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,356		4,356
Basic Utility Services	8,237		8,237
Transportation		1,560	1,560
General Government	23,528	1,592	25,120
Capital Outlay		190,365	190,365
Debt Service:			
Principal Retirement		4,279	4,279
Total Cash Disbursements	<u>36,121</u>	<u>197,796</u>	<u>233,917</u>
Excess of Receipts (Under) Disbursements	<u>(8,350)</u>	<u>(1,598)</u>	<u>(9,948)</u>
Other Financing (Disbursements):			
Advances Out	<u>(2,500)</u>		<u>(2,500)</u>
Total Other Financing (Disbursements)	<u>(2,500)</u>		<u>(2,500)</u>
Net Change in Fund Cash Balances	(10,850)	(1,598)	(12,448)
Fund Cash Balances, January 1	<u>81,293</u>	<u>35,550</u>	<u>116,843</u>
Fund Cash Balances, December 31:			
Unassigned	70,443		70,443
Restricted		33,952	33,952
Fund Cash Balances, December 31	<u>\$70,443</u>	<u>\$33,952</u>	<u>\$104,395</u>

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

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Total Operating Cash Receipts	
Operating Cash Disbursements:	
Other	\$2,613
Total Operating Cash Disbursements	2,613
Operating (Loss)	(2,613)
Non-Operating Receipts (Disbursements):	
Intergovernmental	743,129
Capital Outlay	(721,037)
Total Non-Operating Receipts (Disbursements)	22,092
Income before Advances	19,479
Advances In	2,500
Net Change in Fund Cash Balances	21,979
Fund Cash Balances, January 1	2,622
Fund Cash Balances, December 31	\$24,601

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, 2012 AND 2011**

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 services along with sewer utilities. The Village contracts with the Osgood Fire Department to received 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 accounts for and reports all financial resources not accounted for and reported in another fund.

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 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, 2012 AND 2011
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Enterprise Funds

This fund accounts 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 Enterprise Fund:

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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. 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 individual commitments are made. Encumbrances outstanding at year end are canceled, and re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2012 and 2011 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. Non-spendable

The Village classifies assets as non-spendable 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 YORKSHIRE
DARKE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$ 59,551	\$ 79,136
Certificates of deposit	50,122	49,860
Total deposits	<u>\$109,673</u>	<u>\$128,996</u>

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

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,540	\$ 22,028	(\$ 4,512)
Special Revenue	6,000	15,710	9,710
Enterprise		126,846	126,846
Total	\$32,540	\$164,584	\$132,044

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 84,467	\$ 32,254	\$ 52,213
Special Revenue	12,529	14,893	(2,364)
Enterprise	922,116	136,760	785,356
Total	\$1,019,112	\$183,907	\$835,205

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,990	\$ 27,771	(\$ 219)
Special Revenue	6,000	196,198	190,198
Enterprise		745,629	745,629
Total	\$33,990	\$969,598	\$935,608

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 84,109	\$ 38,621	\$ 45,488
Special Revenue	86,779	197,796	(111,017)
Enterprise	1,200,000	723,650	476,350
Total	\$1,370,888	\$960,067	\$410,821

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Fund by \$2,364 and \$111,017 for the years ended December 31, 2012 and 2011 respectively. Additionally, appropriations exceeded estimated resources in the Sewer Enterprise Fund by \$897,515 and \$1,197,378 for the years ended December 31, 2012 and 2011 respectively, and in the Street Fund by \$45,229 for 2011.

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.

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

4. PROPERTY TAX (Continued)

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. DEBT

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 62,045	0%
Ohio Water Development Authority Loan	417,383	0%
Total	\$479,428	

The Ohio Public Works Commission (OPWC) loan relates to a street reconstruction project. The Village will repay the loan in semiannual installments of \$4,278.

The Ohio Water Development Authority (OWDA) loan relates to sewer system construction. The Village will repay the loan in semiannual installments of \$26,391. Sewer receipts collateralize the loan. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

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

Year ending December 31:	OPWC Loan	OWDA Loan
2013	\$ 4,278	\$ 26,391
2014	4,278	26,391
2015	4,278	26,391
2016	4,278	26,391
2017	4,278	26,391
2018-2022	21,390	131,955
2023-2027	19,265	131,955
2028		21,518
Total	\$62,045	\$417,383

6. 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 this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, 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, 2012.

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012 AND 2011
(Continued)**

7. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

8. CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* as required. However, no funds were reclassified as required by the revised fund classification guidance which would effect fund balances previously reported.

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



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INDEPENDENT AUDITOR'S 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, Ohio 45388

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 Village of Yorkshire, Darke County, (the Village) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated October 29, 2013 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits. We also noted the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 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. We consider findings 2012-002 and 2012-005 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, 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 the accompanying schedule of findings as items 2012-001 through 2012-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

October 29, 2013

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2012 AND 2011**

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

FINDING NUMBER 2012-001

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.

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 6 out of 14 or 42.8% of expenditures in 2012 and 2011, 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.

**FINDING NUMBER 2012-001
(Continued)**

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.

Officials' Response: Village Officials' did not respond to this finding.

FINDING NUMBER 2012-002

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. Additionally, **Ohio Admin. Code Section 117-2-02(A)**, 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 the 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 and manual accounting ledgers (cash journal, receipts ledger and appropriation) for 2012 and 2011 contained errors which resulted in reclassifications and adjustments to correctly report the financial activity during the period as follows:

2012 General Fund

- Property and Other Local Taxes were overstated by \$254
- Intergovernmental Revenue was understated by \$1,620
- Fines, Licenses and Permits were overstated by \$1,366
- Security of Persons was overstated by \$2,632
- Public Health Services was overstated by \$358
- Basic Utility Services was understated by \$579
- General Government Expenditures was understated by \$2,520

2012 Special Revenue Fund

- Intergovernmental Revenue was understated by \$9,635
- Security of Persons was overstated by \$555
- Transportation Expenditures were understated by \$555
- Capital Outlay was understated by \$9,635

2012 Enterprise Fund

- Charges for Services was understated by \$13,185
- Property and Other Local Taxes was overstated by \$13,185
- Other Disbursements was overstated by \$22,059
- Capital Outlay was understated by \$117,751
- Redemption of Principal was understated by \$13,195
- Intergovernmental Revenue was understated by \$108,887

**FINDING NUMBER 2012-002
(Continued)**

2011 General Fund

- Property and Other Local Taxes were overstated by \$358
- Intergovernmental Revenue was understated by \$1,766
- Fines, Licenses and Permits were overstated by \$1,408
- Security of Persons was overstated by \$3,332
- Public Health Services were overstated by \$352
- General Government was understated by \$3,684

2011 Special Revenue Fund

- Intergovernmental Revenue was understated by \$190,365
- Capital Outlay was understated by \$190,365
- Security of Persons and Property was overstated by \$1,560
- Transportation was understated by \$1,560

2011 Enterprise Fund

- Public Health was overstated by \$518,721
- Other Expenditures was understated by \$2,613
- Capital Outlay was understated by \$721,037
- Intergovernmental Revenue was understated by \$204,929

Adjustments and reclassifications to correct these significant errors are reflected in the accompanying financial statements. None of the items above required adjustment to the Village manual accounting ledgers. Additionally, In 2012 and 2011 the Village failed to properly present assigned fund balance for reserve for encumbrances outstanding at year end. Unrecorded encumbrances were noted in the General Fund in 2012 for \$974 and in 2011 for \$1,292. Also in 2012 and 2011 the fiscal officer posted \$253 and \$258 respectively, of general fund revenue to the special revenue fund. These items were not material and were not adjusted on the accompanying financial statements or manual accounting ledgers.

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities. 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's accounting records as a means of providing for their accuracy.

Official's Response: Village Officials' did not respond to this finding.

FINDING NUMBER 2012-003

Noncompliance

Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit is to expend money unless it has been appropriated. Contrary to this requirement, the Village had the following expenditures in excess of the amounts appropriated at December 31, 2012 and 2011:

**FINDING NUMBER 2012-003
 (Continued)**

<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Actual Expenditures</u>	<u>Variance</u>
Street Fund			
2011	\$86,779	\$197,796	(\$111,017)
2012	\$12,529	\$ 14,893	(\$ 2,364)

The Village should develop and implement procedures to properly develop and monitor its budgetary expectations relating to appropriations and actual expenditures. Doing so would enable the Village to comply with budgetary requirements while limiting the risk of spending more than is appropriated.

Official's Response: Village Officials' did not respond to this finding.

FINDING NUMBER 2012-004

Noncompliance

Ohio Revised Code Sec. 5705.39 states in part that the total appropriation from each fund shall not exceed the estimated revenue available for expenditure there from as certified by the county budget commission, or in case of appeal, by the board of tax appeals.

The Village's following fund had appropriations that exceeded certified resources at December 31, 2012:

<u>Fund</u>	<u>Appropriations</u>	<u>Certified Resources</u>	<u>Variance</u>
Sewer Fund	\$922,116	\$24,601	\$897,515

The Village's following funds had appropriations that exceeded certified resources at December 31, 2011:

<u>Fund</u>	<u>Appropriations</u>	<u>Certified Resources</u>	<u>Variance</u>
Sewer Fund	\$1,200,000	\$ 2,622	\$1,197,378
Street Fund	\$ 86,779	\$41,550	\$ 45,229

The Village should obtain amended certificates of estimated resources, as failure to do so could cause expenditures exceeding actual resources available and result in deficit spending.

Official's Response: Village Officials' did not respond to this finding.

FINDING NUMBER 2012-005

Material Weakness – Financial Reporting

Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, introduced five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are non-spendable, restricted, committed, assigned and unassigned.

The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010 and are applicable to all local governments preparing OCBOA and regulatory statements.

The Village did not implement the requirements of this statement in 2011 nor 2012 therefore; the following adjustments were made to the Village's fund balance classifications and are reflected in the financial statements:

**FINDING NUMBER 2012-005
(Continued)**

- General Fund balance in 2012 and 2011 of \$60,217 and \$70,443 respectively, were classified as unassigned
- Special Revenue Fund balance in 2012 and 2011 of \$34,769 and \$33,952 respectively, were classified as restricted.

The Village should review and implement requirements noted in GASB 54 and Auditor of State Bulletin 2011-004 and present governmental fund balances in accordance with current guidance.

Official's Response: Village Officials' did not respond to this finding.

**VILLAGE OF YORKSHIRE
DARKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-01	ORC 733.28 And OAC 117-2-02 - Financial Reporting errors	No	Not Corrected, Repeated as finding number 2012-002
2010-02	ORC 5705.41(D)(1) – Prior Certification	No	Not Corrected, Repeated as finding number 2012-001
2010-03	ORC 5705.41(B) - Expenditures Exceeding Appropriations	No	Not Corrected, Repeated as finding number 2012-003
2010-04	Material Weakness – Accounting for Sewer Fund Activity	Yes	



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 3, 2013**