

**VILLAGE OF YORKVILLE
JEFFERSON COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Member of Council
Village of Yorkville
139 Market Street
Yorkville, Ohio 43971-1217

We have reviewed the *Independent Accountants' Report* of the Village of Yorkville, Jefferson County, prepared by Knox & Knox for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Yorkville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

March 24, 2008

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VILLAGE OF YORKVILLE
JEFFERSON COUNTY

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KNOX & KNOX

Accountants and Consultants

Independent Accountants' Report

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43971

To the Village Council

We have audited the accompanying financial statements of the Village of Yorkville, Jefferson County, Ohio, (the Village) as of and for the years ended December 31, 2006 and 2005. 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, if any, 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 described more fully in Note 1, the Village has prepared its 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements. While the Village does not follow GAAP, generally accepted auditing standards require 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 governments 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, 2006 and 2005 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, 2006 and 2005, or its changes in financial position and cash flows 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 the Village of Yorkville, Jefferson County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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 February 13, 2008, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards*. You should read it in conjunction with this report in considering the results of our audit.

Knox & Knox

Orrville, Ohio
February 13, 2008

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
CASH RECEIPTS:					
Property Tax and Other Local Taxes	\$193,569	\$25,359		\$16,624	\$235,552
Intergovernmental Receipts	128,347	75,503		52,582	256,432
Special Assessments		51,436			51,436
Charges for Services	234				234
Fines, Licenses, and Permits	5,125				5,125
Earnings on Investments	20,728				20,728
Miscellaneous	159,808	6,105			165,913
Total Cash Receipts	507,811	158,403		69,206	735,420
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	168,286	5,386			173,672
Transportation		44,807			44,807
General Government	220,581	14,516			235,097
Capital Outlay		4,739	\$261,257	21,308	287,304
Total Cash Disbursements	388,867	69,448	261,257	21,308	740,880
Total Receipts Over/(Under) Disbursements	118,944	88,955	(261,257)	47,898	(5,460)
Fund Cash Balances, January 1	148,961	255,862	261,257	143,088	809,168
FUND CASH BALANCES, DECEMBER 31	\$267,905	\$344,817		\$190,986	\$803,708

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
OPERATING CASH RECEIPTS:			
Charges for Services	\$291,387		\$291,387
Miscellaneous	332		332
Total Operating Cash Receipts	291,719		291,719
OPERATING CASH DISBURSEMENTS:			
Personal Services	134,365		134,365
Transportation	19,909		19,909
Contractual Services	83,798		83,798
Supplies and Materials	39,299		39,299
Other	7,134		7,134
Capital Outlay	1,530		1,530
Total Operating Cash Disbursements	286,035		286,035
Operating Income/(Loss)	5,684		5,684
NON-OPERATING CASH RECEIPTS:			
Property Tax and Other Local Taxes	38,892		38,892
Other Non-Operating Cash Receipts		\$245,700	245,700
Total Non-Operating Cash Receipts	38,892	245,700	284,592
NON-OPERATING CASH DISBURSEMENTS:			
Other Debt Payments	1,869		1,869
Miscellaneous	7,197	40	7,237
Other Non-Operating Cash Disbursements		233,923	233,923
Total Non-Operating Cash Disbursements	9,066	233,963	243,029
Net Receipts Over/(Under) Disbursements	35,510	11,737	47,247
Fund Cash Balances, January 1	151,500	33,981	185,481
FUND CASH BALANCES, DECEMBER 31	\$187,010	\$45,718	\$232,728

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
CASH RECEIPTS:					
Property Tax and Other Local Taxes	\$228,410	\$31,389	\$16,787	\$30,242	\$306,828
Intergovernmental Receipts		66,859			66,859
Charges for Services	200	8,204			8,404
Fines, Licenses, and Permits	7,268				7,268
Earnings on Investments	28,564				28,564
Miscellaneous	30,383		15,953	1,928	48,264
Total Cash Receipts	294,825	106,452	32,740	32,170	466,187
CASH DISBURSEMENTS:					
Current:					
Security of Persons and Property	191,053	75,094			266,147
Leisure Time Activities	451				451
Transportation		38,763			38,763
General Government	242,711	23,502			266,213
Capital Outlay				21,011	21,011
Debt Service			49,226		49,226
Total Cash Disbursements	434,215	137,359	49,226	21,011	641,811
Total Receipts Over/(Under) Disbursements	(139,390)	(30,907)	(16,486)	11,159	(175,624)
Fund Cash Balances, January 1	288,351	286,769	277,743	131,929	984,792
FUND CASH BALANCES, DECEMBER 31	\$148,961	\$255,862	\$261,257	\$143,088	\$809,168

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Totals
	Enterprise	Agency	(Memorandum Only)
OPERATING CASH RECEIPTS:			
Charges for Services	\$320,783	\$2,434	\$323,217
Miscellaneous	431		431
Total Operating Cash Receipts	321,214	2,434	323,648
OPERATING CASH DISBURSEMENTS:			
Personal Services	125,923		125,923
Travel/Transportation	22,987		22,987
Contractual Services	46,837		46,837
Supplies and Materials	108,337	2,444	110,781
Other	1,509		1,509
Total Operating Cash Disbursements	305,593	2,444	308,037
Operating Income/(Loss)	15,621	(10)	15,611
NON-OPERATING CASH RECEIPTS:			
Property Tax and Other Local Taxes	21,700		21,700
Other Non-Operating Cash Receipts		239,614	239,614
Total Non-Operating Cash Receipts	21,700	239,614	261,314
NON-OPERATING CASH DISBURSEMENTS:			
Other Debt Payments	15,060		15,060
Miscellaneous	1,926		1,926
Other Non-Operating Cash Disbursements		250,008	250,008
Total Non-Operating Cash Disbursements	16,986	250,008	266,994
Net Receipts Over/(Under) Disbursements	20,335	(10,404)	9,931
Fund Cash Balances, January 1	131,165	44,385	175,550
FUND CASH BALANCES, DECEMBER 31	\$151,500	\$33,981	\$185,481

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Yorkville , Jefferson 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 water, sewer, and sanitation utilities, and police services. The Village contracts with Yorkville Volunteer Fire Company to provide fire protection 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, the 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 Funds

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 Funds:

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

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

Permissive Motor Vehicle License Fund - This fund receives motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Fire Levy Fund - This fund receives proceeds from a tax levy and is used to provide fire protection services.

3. Debt Service Fund

This fund is used to accumulate resources for the payment of bonds and note indebtedness. The Village had the following significant debt service fund:

Bond Rated Fund - This fund was used to retire bonds issued for the completing of water and sewer projects.

4. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Equipment Fund - This fund receives tax money and is used to purchase equipment for various departments in the Village.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Fund:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sanitation Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

6. Fiduciary Fund (Agency Fund)

Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Agency Fund:

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

6. Fiduciary (Agency) Funds (continued)

Payroll Clearing Fund - This fund was established to hold monies from which payroll expenditures are made.

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 office, department, or division 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 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 commitments are made. Encumbrances outstanding at year end are cancelled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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>2006</u>	<u>2005</u>
Demand deposits	\$637,622	\$610,346
Certificates of deposit	398,814	384,303
Total deposits and investments	<u>\$1,036,436</u>	<u>\$994,649</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

<u>Fund Type</u>	<u>2006 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General		\$507,811	\$507,811
Special Revenue		158,411	158,411
Capital Projects		69,206	69,206
Enterprise		330,611	330,611
Total		<u>\$1,066,039</u>	<u>\$1,066,039</u>

<u>Fund Type</u>	<u>2006 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General		\$388,867	(\$388,867)
Special Revenue		69,448	(69,448)
Debt Service		261,257	(261,257)
Capital Projects		21,308	(21,308)
Enterprise		295,101	(295,101)
Total		<u>\$1,035,981</u>	<u>(\$1,035,981)</u>

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

3. BUDGETARY ACTIVITY (continued)

<u>Fund Type</u>	<u>2005 Budgeted vs. Actual Receipts</u>		
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$285,000	\$294,825	\$9,825
Special Revenue	351,563	106,452	(245,111)
Debt Service	21,000	32,740	11,740
Capital Projects	21,000	32,170	11,170
Enterprise	305,000	342,914	37,914
Total	<u>\$983,563</u>	<u>\$809,101</u>	<u>(\$174,462)</u>

<u>Fund Type</u>	<u>2005 Budgeted vs Actual Budgetary Basis Expenditures</u>		
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$456,065	\$434,215	\$21,850
Special Revenue	198,115	137,359	60,756
Debt Service	62,000	49,226	12,774
Capital Projects	85,000	21,011	63,989
Enterprise	321,500	322,579	(1,079)
Total	<u>\$1,122,680</u>	<u>\$964,390</u>	<u>\$158,290</u>

4. LEGAL COMPLIANCE

Budgetary expenditures exceeded appropriation authority in the General, Special Revenue, Debt Service, Capital Projects, and Enterprise Fund types in 2006 and Enterprise Fund type in 2005 contrary to Ohio Revised Code Section 5705.41(B).

Appropriations exceeded estimated resources in the General and Enterprise Fund types in 2006 contrary to Ohio Revised Code Section 5705.39.

5. 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 for first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owner, 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 YORKVILLE
JEFFERSON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

6. DEBT

Debt outstanding at December 31, 2006 was as follows

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan	\$102,965	8.12%

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved this project. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Amortization of the above debt is scheduled as follows:

Year Ending <u>December 31</u>	OWDA		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$38,228	\$11,306	\$49,534
2008	42,426	7,108	49,534
2009	22,311	2,456	24,767
Total	<u>\$102,965</u>	<u>\$20,870</u>	<u>\$123,835</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The plans provide retirement benefits, including post-retirement 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 2006 and 2005, OP&F members contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. For 2006 and 2005 OPERS members contributed 9.0% and 8.5% of their gross salaries, respectively. The Village contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Village has paid all contributions required through December 31, 2006.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

Health Insurance

The Village provides health insurance and dental and vision coverage to full-time employees through a private carrier.

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KNOX & KNOX

Accountants and Consultants

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

Village of Yorkville
Jefferson County
139 Market Street
Yorkville, Ohio 43971

To the Village Council:

We have audited the accompanying financial statements of the Village of Yorkville, Jefferson County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated February 13, 2008, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine 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.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We did note other matters that we reported to the Village's management in a separate letter dated February 13, 2008.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Village's basic 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 three instances of noncompliance or other matters we must report under *Government Auditing Standards* which are shown in the accompanying schedule as Findings 2006-001, 2006-002 and 2006-003.

We did note a certain noncompliance that we reported to the Village's management in a separate letter dated February 13, 2008.

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

KNOX & KNOX

Orrville, Ohio
February 13, 2008

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

SCHEDULE OF FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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

FINDING NUMBER 2006-001

Ohio Revised Code Section 5705.39 provides in part that total appropriations from each fund shall not exceed estimated resources.

Appropriations exceeded estimated resources in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Dollar Variance</u>
General (2006)	\$148,961	\$388,867	(\$239,906)
Enterprise (2006)	151,500	295,101	(143,601)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. Actual receipts plus fund balances were not sufficient to permit the Village to obtain an amended certificate of estimated resources supporting the amounts of the abovementioned appropriations.

The Village should review certified resources prior to adopting appropriations. If certified amounts are not sufficient to support desired appropriations, an increased amended certificate should be obtained, or appropriations should be limited to amounts available.

Client response: None

FINDING NUMBER 2006-002

Ohio Revised Code Section 5705.41(B) provides that expenditures shall not exceed appropriations.

Expenditures exceeded appropriations in the following fund for 2006.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Dollar Variance</u>
General		\$388,867	(\$388,867)
Special Revenue		69,448	(69,448)
Debt Service		261,257	(261,257)
Capital Projects		21,308	(21,308)
Enterprise		295,101	(295,101)
		<u>\$1,035,981</u>	<u>(\$1,035,981)</u>

Expenditures exceeded appropriations in the following fund for 2005.

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Dollar Variance</u>
Enterprise	<u>\$321,500</u>	<u>\$322,579</u>	<u>(\$1,079)</u>

The failure to limit expenditures plus encumbrances to the amount appropriated by the Village Council could result in overspending and negative cash balances. Expenditures should be limited to appropriations. If the Village determines that expenditure needs exceed the current appropriation authority and if resources are available, additional appropriations should be approved by the Village Council prior to incurring additional expenditures.

Client response: None.

FINDING NUMBER 2006-003

Reportable Condition

Posting Receipts and Expenditures

All public offices should maintain an accounting system and accounting records sufficient to enable the public office 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. The Village did not correctly code and classify receipts and expenditures. As a result, errors occurred including the misclassification of revenue and misclassification of expenditures in 2006 and 2005. In addition, numerous immaterial misclassification errors were identified but not adjusted. The Clerk/Treasurer has agreed to and posted the material reclassifications to the ledgers. These corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the Village will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Clerk/Treasurer should review the chart of accounts suggested in Ohio Administrative Code 117-9-01. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the Village is accurately recorded and reported.

Client response: None.

VILLAGE OF YORKVILLE
JEFFERSON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

Finding Summary	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Revised Code Section 5705.39(B), failure to limit appropriations to estimated resources	No	Reported as 2006-001
2004-002	Ohio Revised Code Section 5075.41(B), failure to make expenditures unless it has been appropriated	No	Reported as 2006-002
2004-003	Ohio Revised Code Section 5705.41(D), Requires Then and New Certificates or Blanket Certification	Yes	Finding is no longer valid.
2004-004	Reportable condition regarding the accounting for Mayor's Court	Yes	Finding is no longer valid
2004-005	Reportable Condition concerning the posting of receipts and expenditures	No	Reported as 2006-003



Mary Taylor, CPA
Auditor of State

VILLAGE OF YORKVILLE

JEFFERSON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 8, 2008**