



**Mary Taylor, CPA**  
Auditor of State



VILLAGE OF POLK  
ASHLAND COUNTY

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Mary Taylor, CPA  
Auditor of State

Village of Polk  
Ashland County  
200 East Congress Road  
Polk, Ohio 44866

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 Village 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.

*Mary Taylor*

**Mary Taylor, CPA**  
Auditor of State

June 22, 2009

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Polk  
Ashland County  
200 East Congress Road  
Polk, Ohio 44866

To the Village Council:

We have audited the accompanying financial statements of the Village of Polk, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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.

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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, 2008 and 2007 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, 2008 and 2007, 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 and reserves for encumbrances of the Village of Polk, Ashland County, as of December 31, 2008 and 2007, 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 June 22, 2009, 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 cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

June 22, 2009



**VILLAGE OF POLK  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$8,808			\$8,808
Intergovernmental	38,183	\$32,605		70,788
Charges for Services	2,991			2,991
Fines, Licenses and Permits	80			80
Earnings on Investments	117	278		395
Miscellaneous	744			744
Total Cash Receipts	50,923	32,883		83,806
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,972			4,972
Leisure Time Activities	2,276			2,276
Community Environment	2,020			2,020
Basic Utility Service	264			264
Transportation	7,405	37,559		44,964
General Government	37,653			37,653
Debt Service:				
Redemption of Principal			\$850	850
Total Cash Disbursements	54,590	37,559	850	92,999
Total Cash Receipts Under Cash Disbursements	(3,667)	(4,676)	(850)	(9,193)
Fund Cash Balances, January 1	15,630	66,842	2,550	85,022
<b>Fund Cash Balances, December 31</b>	<b>\$11,963</b>	<b>\$62,166</b>	<b>\$1,700</b>	<b>\$75,829</b>

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

VILLAGE OF POLK  
ASHLAND COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Proprietary Fund Type Enterprise</u>
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	\$13,085
OWDA Loan Proceeds	<u>96,200</u>
Total Non-Operating Cash Receipts	<u>109,285</u>
<b>Non-Operating Cash Disbursements:</b>	
Capital Outlay	<u>101,215</u>
Excess of Cash Receipts Over Cash Disbursements	8,070
Fund Cash Balances, January 1	<u>6,245</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$14,315</u></u></b>

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

**VILLAGE OF POLK  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
<b>Cash Receipts:</b>				
Property and Local Taxes	\$8,267			\$8,267
Intergovernmental	36,375	\$22,423		58,798
Charges for Services	1,395			1,395
Fines, Licenses and Permits	160			160
Earnings on Investments	152	293		445
Miscellaneous	437			437
	46,786	22,716		69,502
<b>Total Cash Receipts</b>	<b>46,786</b>	<b>22,716</b>		<b>69,502</b>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	4,469			4,469
Public Health Services				0
Leisure Time Activities	10,859			10,859
Community Environment	784			784
Basic Utility Service	245			245
Transportation	5,155	9,348		14,503
General Government	27,976			27,976
Debt Service:				
Redemption of Principal			\$850	850
	49,488	9,348	850	59,686
<b>Total Cash Disbursements</b>	<b>49,488</b>	<b>9,348</b>	<b>850</b>	<b>59,686</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>(2,702)</b>	<b>13,368</b>	<b>(850)</b>	<b>9,816</b>
<b>Other Financing Receipts / (Disbursements):</b>				
Transfers-In			2,969	2,969
Transfers-Out	(2,969)			(2,969)
	(2,969)		2,969	0
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(2,969)</b>	<b></b>	<b>2,969</b>	<b>0</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(5,671)	13,368	2,119	9,816
Fund Cash Balances, January 1	21,301	53,474	431	75,206
<b>Fund Cash Balances, December 31</b>	<b>\$15,630</b>	<b>\$66,842</b>	<b>\$2,550</b>	<b>\$85,022</b>
Reserve for Encumbrances, December 31	\$2,719	\$214	\$0	\$2,933

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

VILLAGE OF POLK  
ASHLAND COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCE  
PROPRIETARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>Proprietary Fund Types Enterprise</u>
<b>Non-Operating Cash Receipts:</b>	
Special Assessments	<u>\$6,245</u>
Fund Cash Balances, January 1	<u>0</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$6,245</u></u>

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

**VILLAGE OF POLK  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007**

**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 Polk, Ashland County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, wastewater treatment, storm sewers, maintenance of Village streets and park operations. The Polk-Jackson-Perry Fire District provides fire protection and emergency medical services.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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**

The Village has no investments. Cash consists of demand deposits.

**D. Fund Accounting**

The Village uses fund accounting to segregate cash that is 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 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 POLK  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Capital Project Funds**

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Village Capital Improvement Fund – This fund receives proceeds of grants and loans and transfers from the General Fund. These resources are used for Village streets and storm drainage improvements.

**4. Enterprise Funds**

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

Sewer Fund - This fund receives special assessments from residents and loan proceeds from the Ohio Water Development Authority (OWDA) to finance the construction of a sanitary sewer system. Once construction is completed, a service fee will be charged for use of the system.

**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 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. Unencumbered 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. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

**VILLAGE OF POLK  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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**

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:

	2008	2007
Demand deposits	\$90,144	\$91,267

**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, 2008 and 2007 follows:

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$50,223	\$50,923	\$700
Special Revenue	22,833	32,883	10,050
Enterprise	108,375	109,285	910
Total	\$181,431	\$193,091	\$11,660

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$67,447	\$54,590	\$12,857
Special Revenue	88,786	37,559	51,227
Capital Projects	2,550	850	1,700
Enterprise	114,620	101,215	13,405
Total	\$273,403	\$194,214	\$79,189

**VILLAGE OF POLK  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**3. Budgetary Activity (Continued)**

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$46,725	\$46,786	\$61
Special Revenue	16,577	22,716	6,139
Capital Projects	0	2,969	2,969
Enterprise	0	6,245	6,245
Total	\$63,302	\$78,716	\$15,414

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,027	\$55,176	\$12,851
Special Revenue	70,053	9,562	60,491
Capital Projects	3,400	850	2,550
Total	\$141,480	\$65,588	\$75,892

**Noncompliance:**

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify the availability of funds for all expenditures during 2008 and 2007.

Contrary to Ohio Rev. Code Section 5705.42, the Village did not initially record Ohio Public Works Commission on-behalf grants as a receipt and expenditure in the Village's accounting records.

**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.

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 POLK  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)**

**5. Debt**

Debt outstanding at December 31, 2008 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
2001 Ohio Water Development Authority Loan	\$1,700	0%
2008 Ohio Water Development Authority Loan	96,200	5.28%
Total	<u>\$97,900</u>	

The 2001 Ohio Water Development Authority Loan (original balance \$8,500) was entered into to finance a storm sewer feasibility study. The Village will repay the loan in annual installments of \$850 with no interest through December 31, 2010. The Village's taxing authority collateralized the loan.

The 2008 Ohio Water Development Authority Loan was entered into to finance the design and construction of a sanitary sewer system. The project was started in 2008 and \$96,200 of the estimated \$254,980 loan amount has been drawn. This loan will be repaid in semi-annual installments over twenty years at 5.28% interest. The amortization schedule will be finalized when the project is completed. The loan is collateralized by the Village's special assessments for sewer and the future operating revenues of the sewer system.

**6. Retirement System**

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 plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2008 and 2007, OPERS members contributed 10 percent and 9.5 percent, respectively, of their gross salaries and the Village contributed an amount equaling 14 percent and 13.85 percent, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2008.

**7. Risk Management**

**Risk Pool Membership**

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to over 550 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

VILLAGE OF POLK  
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007  
(Continued)

7. Risk Management (Continued)

**Risk Pool Membership (Continued)**

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except the Plan retains the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2007 and 2006 (the latest information available.)

	<u>2007</u>	<u>2006</u>
Assets	\$11,136,455	\$9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
Members' Equity	<u>\$6,862,902</u>	<u>\$6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, [www.ohioplan.org](http://www.ohioplan.org).



# Mary Taylor, CPA

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 Polk  
Ashland County  
200 East Congress Road  
Polk, Ohio 44866

To the Village Council:

We have audited the financial statements of the Village of Polk, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated June 22, 2009 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 also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 expressing our opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider findings 2008-002 and 2008-003 described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. Of the significant deficiencies described above, we believe finding number 2008-002 is also a material weakness.

We noted a certain matter that we reported to the Village's management in a separate letter dated June 22, 2009.

#### **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 that we must report under *Government Auditing Standards* which are described in the accompany Schedule of Findings as items 2008-001 and 2008-002.

We did note certain noncompliance or other matters that we reported to the Village's management in a separate letter dated June 22, 2009.

The Village's response to the findings identified in our audit is described in the accompanying Schedule of Findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

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



**Mary Taylor, CPA**  
Auditor of State

June 22, 2009

VILLAGE OF POLK  
ASHLAND COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2008 AND 2007

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

FINDING NUMBER 2008-001

**Noncompliance Citation**

**Ohio Rev. Code Section 5705.41(D)** provides no subdivision or taxing unit 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 stating the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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 both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), 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 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.

90 percent of expenditures tested were not certified prior to incurring the obligation. It was also found none of the exceptions above were utilized for the items found to be in non-compliance. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balance.

### **FINDING NUMBER 2008-001 (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 purchase commitments received prior approval. To improve control over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Fiscal Officer should certify the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

### **FINDING NUMBER 2008-002**

#### **Noncompliance/Material Weakness**

**Ohio Rev. Code Section 5705.42** requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2008, the Village received \$6,765 of Ohio Public Works Commission (OPWC) moneys for storm sewer construction. Under the terms of this agreement, OPWC makes project payments directly to the vendor/contractor(s) on the Village's behalf. The Village did not recognize these receipts and disbursements in their general ledger, thus understating their receipts and disbursements. An adjustment was made to the financial statements to recognize these receipts and disbursements.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipts and disbursements. Failure to do so results in an understatement of receipts and disbursements. The Village should refer to Auditor of State Bulletin 2002-004 for additional guidance.

### **FINDING NUMBER 2008-003**

#### **Significant Deficiency**

##### **Transaction Posting**

Our receipt and expenditure testing revealed the Village recorded several transactions incorrectly. Mispostings identified included, but were not limited, to the following:

- In 2008 and 2007, \$1,731 and \$751, respectively, of homestead/rollback, tax replacement and tangible tax reimbursement receipts were incorrectly posted to the General Fund's Property and Local Taxes receipts rather than the Intergovernmental receipts. These amounts were reported to management as unadjusted items.

**FINDING NUMBER 2008-003 (Continued)**

- In 2007, \$456 of the Village's portion of gas tax revenues was incorrectly posted to the State Highway Fund instead of the Street Construction Maintenance and Repair Fund's Intergovernmental receipts. These amounts were reported to management as unadjusted items.
- In 2008 and 2007, \$847 and \$316, respectively, of auditor and treasurer fees associated with the collection of property taxes were not posted to the Village's ledgers. These amounts were reported to management as unadjusted items.
- In 2008, \$96,200 of Ohio Water Development Authority loan proceeds were incorrectly posted to the Sewer Fund's Special Assessment receipts rather than the Proceeds of Loans receipts. This account reclassification was posted to the financial statements.
- In 2008, \$175 of recycling sales was incorrectly posted to the General Fund's Charges for Services receipts rather than Miscellaneous receipts. This amount was reported to management as an unadjusted item.

The Village should review the Village Officer's Handbook and exercise due care when posting transactions to help ensure receipts and disbursements are posted to the correct fund and account. Additionally, the Village Council should review cash reconciliations and monthly receipt and disbursement activity reports to help ensure transactions are properly accounted for and classified. This will help more accurately reflect the Village's financial activity and will aid in more accurate financial reporting.

**Officials' Response for findings 2008-001 through 2008-003:** We have reviewed and are aware of the comments, and will take the necessary action to correct them in the future.

**VILLAGE OF POLK  
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 AND 2007**

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>
2006-001	ORC 5705.41(D) – The Village did not certify funds prior to incurring the obligation.	No	Not Corrected. See Finding Number 2008-001.





**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF POLK**

**ASHLAND 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  
AUGUST 4, 2009**