



Dave Yost • Auditor of State



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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below, with which the Village Council and Mayor, and the management of the Village of Polk, Ashland County, Ohio (the Village) have agreed, solely to assist the Council and Mayor in evaluating receipts, disbursements and balances recorded in their cash-basis accounting records for the years ended December 31, 2010 and 2009, and certain compliance requirements related to these transactions and balances. Management is responsible for recording transactions; and management, the Mayor, and / or the Council are responsible for complying with the compliance requirements. This agreed-upon procedures engagement was conducted in accordance with the American Institute of Certified Public Accountants' attestation standards and applicable attestation engagement standards included in the Comptroller General of the United States' *Government Auditing Standards*. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. 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 provide attest services to 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 perform this engagement, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to perform attest services for Ohio governments.

This report only describes exceptions exceeding \$10.

Cash

1. We tested the mathematical accuracy of the December 31, 2010 and December 31, 2009 bank reconciliations. We found no exceptions.
2. We agreed the January 1, 2009 beginning fund balances recorded in the Cash Summary by Fund Report to the December 31, 2008 balances in the prior year audited statements. We found no exceptions.
3. We agreed the totals per the bank reconciliations to the total of the December 31, 2010 and 2009 fund cash balances reported in the Fund Status Reports. The amounts agreed.
4. We confirmed the December 31, 2010 bank account balance with the Village's financial institution. We found no exceptions. We also agreed the confirmed balance to the amount appearing in the December 31, 2010 bank reconciliation without exception.

Cash (continued)

5. We selected five outstanding checks haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each check to the debit appearing in the subsequent January bank statement. We found no exceptions.
 - b. We traced the amounts and date written to the check register, to determine the checks were dated prior to December 31. We noted no exceptions.
6. We selected five deposits in transit haphazardly from the December 31, 2010 bank reconciliation:
 - a. We traced each deposit to the credit appearing in the subsequent January bank statement. We found no exceptions.
 - b. We agreed these deposits' amounts to the Receipts Register. Each deposit in transit was recorded as a December receipt for the same amount recorded in the reconciliation.

Property Taxes and Intergovernmental

1. We selected a property tax receipt from one *Statement of Semiannual Apportionment of Taxes* (the Statement) for 2010 and one from 2009:
 - a. We compared the gross receipts from the *Statement* to the amount recorded in the Receipt Register Report. We noted the receipt amounts were posted net of deductions instead of gross. We recommend the Village post the tax receipts at gross and record the deductions as disbursements. However, because we did not test all receipts, our report provides no assurance regarding whether or not other similar errors occurred.
 - b. We determined whether the receipt was allocated to the proper fund as required by Ohio Rev. Code Sections 5705.05-.06 and 5705.10. We found no exceptions.
 - c. We determined whether the receipt was recorded in the proper year. The receipt was recorded in the proper year.
2. We scanned the Receipt Register Report to determine whether it included the proper number of tax receipts for 2010 and 2009:
 - a. Two personal property tax receipts
 - b. Two real estate tax receiptsWe noted the Receipts Register Report included the proper number of tax settlement receipts for each year.
3. We selected five receipts from the State Distribution Transaction Lists (DTL) from 2010 and five from 2009.
 - a. We compared the amount from the DTL to the amount recorded in the Receipt Register Report. The amounts agreed.
 - b. We determined whether these receipts were allocated to the proper fund(s). We found no exceptions.
 - c. We determined whether the receipts were recorded in the proper year. We found no exceptions.
4. We selected five receipts from the General Fund Local Government revenue from 2010 and five from 2009 and agreed the amounts to supporting documentation. We found no exceptions.
 - a. We determined whether these receipts were allocated to the proper fund. We found no exceptions.
 - b. We determined whether the receipts were recorded in the proper year. We found no exceptions.

Enterprise Improvement Fund

1. We haphazardly selected 10 Enterprise Improvement Fund collection cash receipts from the year ended December 31, 2010 and 10 collection cash receipts from the year ended 2009 recorded in the Receipt Register Report and determined whether the:
 - a. Receipt amount per the Receipt Register Report agreed to the amount recorded to the credit of the customer's account in the Customer Balance Detail Report. The amounts agreed.
 - b. Amount charged for the related billing period complied with rates in force during the audit period. We found no exceptions.
 - c. Amount charged was posted as a receivable in the Customer Balance Detail Report for the billing period.
 - d. Receipt was posted to the proper fund, and was recorded in the proper year. We found no exceptions.

2. We read the A/R Aging Summary.
 - a. We noted this report listed \$3,045 and \$1,215 of accounts receivable as of December 31, 2010 and 2009, respectively.
 - b. Of the total receivables reported in the preceding step, \$900 and \$275 were recorded as more than 90 days delinquent.

Debt

1. From the prior audit report, we noted the following loans outstanding as of December 31, 2008. These amounts agreed to the Villages January 1, 2009 balances on the summary we used in step 3.

<u>Issue</u>	<u>Principal outstanding as of December 31, 2008</u>
2001 Ohio Water Development Authority Loan	\$1,700
2008 Ohio Water Development Authority Loan	\$96,200

2. We inquired of management, and scanned the Receipt Register Report and Payment Register Detail Report for evidence of bonded, note, or loan debt issued during 2010 or 2009 or outstanding as of December 31, 2010 or 2009. All debt noted agreed to the summary we used in step 3.

3. We obtained a summary of loan debt activity for 2010 and 2009 and agreed principal payments from the related debt amortization schedule and Loan Detail to Other Capital Projects and Enterprise Improvement fund payments reported in the Payment Register Detail Report. We also compared the date the debt service payments were due to the date the Village made the payments. We noted one of four payments for the Wastewater System Design loan was late. We recommend the payments be made on time, according to the OWDA.

4. We compared the amount of loan proceeds from the debt documents to amounts recorded in the Enterprise Improvement Fund per the Receipt Register Report. We noted in 2010 and 2009, the Village had unrecorded receipts of \$7,418 and \$8,074, respectively, of Ohio Water Development Authority (OWDA) transactions paid by OWDA directly to the vendor on behalf-of the Village. Ohio Rev. Code Section 5705.42 requires any grant or loan paid on behalf-of a subdivision to be recorded by the subdivision. We also noted in 2010 and 2009, the Village had recorded \$47,569 and \$26,406, respectively, of OWDA loan proceeds as Miscellaneous receipts and in 2009, \$35,000 as Special Assessments, rather than loan proceeds. We recommend the Village record all transactions paid directly to vendors on their behalf as required by Ohio Rev. Code Section 5705.42, and ensure the amounts are posted to the correct account.

Payroll Cash Disbursements

1. We haphazardly selected one payroll check for five employees from 2010 and one payroll check for five employees from 2009 from the Employee Detail Adjustment Report and determined whether the following information in the employees' personnel files and minute record was consistent with the information used to compute gross and net pay related to this check:
 - a. Name
 - b. Authorized salary or pay rate
 - c. Department(s) and fund(s) to which the check should be charged.
 - d. Retirement system participation and payroll withholding.
 - e. Federal and State tax withholding authorization and withholding.

We found no exceptions related to steps a. – e. above, except one employee who was having social security withheld rather than OPERS, and therefore, did not have an OPERS enrollment form. All employees of the Village are required to participate in OPERS. We recommend the Village ensure all employees are enrolled in OPERS. In addition, the Village should contact OPERS to resolve this issue. However, because we did not test all employees of the Village, our report provides no assurance regarding whether or not other similar errors occurred.

2. We tested the checks we selected in step 1, as follows:
 - a. We compared the hours and pay rate, or salary amount used in computing gross pay to supporting documentation (timecard, legislatively or statutorily-approved rate or salary). We found no exceptions.
 - b. We determined whether the fund and account code(s) to which the check was posted was reasonable based on the employees' duties as documented in the minute record. We also determined whether the payment was posted to the proper year. We found no exceptions.
3. We scanned the last remittance of tax and retirement withholdings for the year ended December 31, 2010 to determine whether remittances were timely paid, and that the amounts paid agreed to the amounts withheld during the final withholding period during 2010. We noted the following:

<u>Withholding</u>	<u>Date Due</u>	<u>Date Paid</u>	<u>Amount Withheld</u>	<u>Amount Paid</u>
Federal income taxes	January 31, 2011	December 31, 2010	\$478.92	\$478.92
State income taxes	January 31, 2011	December 31, 2010	\$36.39	\$36.39
OPERS retirement (withholding plus employee share)	January 3, 2011	December 20, 2010	\$108.00	\$108.00

Non-Payroll Cash Disbursements

We haphazardly selected ten disbursements from the Payment Register Detail Report for the year ended December 31, 2010 and ten from the year ended 2009 and determined whether:

- a. The disbursements were for a proper public purpose. We found no exceptions.
- b. The check number, date, payee name and amount recorded on the returned, canceled check agreed to the check number, date, payee name and amount recorded in the Payment Register Detail Report and to the names and amounts on the supporting invoices. We found no exceptions.
- c. The payment was posted to a fund consistent with the restricted purpose for which the fund's cash can be used. We found no exceptions.
- d. The fiscal officer certified disbursements requiring certification or issued a *Then and Now Certificate*, as required by Ohio Rev. Code Section 5705.41(D). We found eleven instances where the certification date was after the vendor invoice date. Ohio Rev. Code Section 5705.41(D) requires certifying at the time of a commitment, which should precede the invoice date. We recommend the Village follow the requirements of Ohio Rev. Code Section 5705.41(D) for all disbursements. However, because we did not test all disbursements, our report provides no assurance regarding whether or not other similar errors occurred.

Compliance – Budgetary

1. We compared the total from the *Certificate of Estimated Resources*, required by Ohio Rev. Code Section 5705.36(A)(1), to the amounts recorded in the Revenue Status Report for the General, State Highway and Enterprise Improvement funds for the years ended December 31, 2010 and 2009. The amounts on the 2010 Certificate agreed to the amount recorded in the accounting system, except for the General Fund. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$42,876 for 2010. However, the final Amended Official Certificate of Estimated Resources reflected \$53,210. For 2009, the amount on the Certificate agreed to the amount recorded in the accounting system for the State Highway Fund, but did not agree for the General and Enterprise Improvement funds. The Revenue Status Report recorded budgeted (i.e. certified) resources for the General fund of \$41,525 and for the Enterprise Improvement fund of \$24,120. However, the final Amended Official Certificate of Estimated Resources reflected \$51,083 for the General fund and \$77,365 for the Enterprise Improvement fund. The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the Amended Official Certificate of Estimated Resources to ensure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending. However, because we did not test all funds, our report provides no assurance regarding whether or not other similar errors occurred.
2. We scanned the appropriation measures adopted for 2010 and 2009 to determine whether, for the General, State Highway and Enterprise Improvement funds, the Council appropriated separately for "each office, department, and division, and within each, the amount appropriated for personal services," as is required by Ohio Rev. Code Section 5705.38(C). We found no exceptions.

Compliance – Budgetary (continued)

3. We compared total appropriations required by Ohio Rev. Code Section 5705.38 and 5705.40, to the amounts recorded in the Appropriation Status Report for 2010 and 2009 for the following funds: General Fund, State Highway Fund and Enterprise Improvement Fund. The amounts on the 2010 Appropriation Resolution agreed to the amounts recorded in the accounting system, except for the General Fund. The Appropriation Status Report recorded budgeted disbursements for the General fund of \$65,100 for 2010. However, the Appropriation Resolution reflected \$54,766. For 2009, the amount on the Appropriation Resolution agreed to the amount recorded in the accounting system for the State Highway Fund, but did not agree for the General and Enterprise Improvement funds. The Appropriation Status Report recorded budgeted disbursements for the General fund of \$63,247 and for the Enterprise Improvement fund of \$112,086. However, the Appropriation Resolution reflected \$55,452 for the General fund and \$38,435 for the Enterprise Improvement fund. The Village should ensure all appropriation amendments are properly approved by Village Council and recorded in the Village's accounting system. The fiscal officer should periodically compare amounts recorded in the Appropriation Status Report to amounts approved in the Appropriation Resolution and appropriation amendments to ensure they agree. If the amounts do not agree, the Council may be using inaccurate information for budgeting and to monitor spending. However, because we did not test all funds, our report provides no assurance regarding whether or not other similar errors occurred.
4. Ohio Rev. Code Section 5705.39 prohibits appropriations from exceeding the certified resources. We compared total appropriations to total certified resources for the General, State Highway and Enterprise Improvement funds for the years ended December 31, 2010 and 2009. We noted no funds for which appropriations exceeded certified resources.
5. Ohio Rev. Code Section 5705.41(B) prohibits expenditures (disbursements plus certified commitments) from exceeding appropriations. We compared total expenditures to total appropriations for the years ended December 31, 2010 and 2009 for the General, State Highway and Enterprise Improvement funds, as recorded in the Appropriation Status Report. We noted the Enterprise Improvement Fund expenditures for 2009 exceeded total appropriations by \$48,365, contrary to Ohio Rev. Code Section 5705.41(B). The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary, and if resources are available. However, because we did not test all funds, our report provides no assurance regarding whether or not other similar errors occurred.
6. Ohio Rev. Code Section 5705.09 requires establishing separate funds to segregate externally-restricted resources. We scanned the Receipt Register Report for evidence of new restricted receipts requiring a new fund during December 31, 2010 and 2009. We also inquired of management regarding whether the Village received new restricted receipts. We noted no evidence of new restricted receipts for which Ohio Rev. Code Section 5705.09 would require the Village to establish a new fund.
7. We scanned the 2010 and 2009 Revenue Status Reports and Appropriation Status Reports for evidence of interfund transfers which Ohio Rev. Code Sections 5705.14 -- .16 restrict. We found no evidence of transfers these Sections prohibit, or for which Section 5705.16 would require approval by the Tax Commissioner and Court of Common Pleas.
8. We inquired of management and scanned the Appropriation Status Reports to determine whether the Village elected to establish reserve accounts permitted by Ohio Rev. Code Section 5705.13. We noted the Village did not establish these reserves.

Compliance – Contracts & Expenditures

1. We inquired of management and scanned the Payment Register Detail report for the years ended December 31, 2010 and 2009 for material or labor procurements which exceeded \$25,000, and therefore required competitive bidding under Ohio Rev. Code Section 731.14.

We identified a Sanitary Sewer Design project exceeding \$25,000, subject to Ohio Rev. Code Section 731.14. For this project, we noted the Council advertised the project in a local newspaper in 2008, and selected the lowest responsible bidder, in which the disbursements were made in 2009.

2. We inquired of management and scanned the Payment Register Detail Report for the years ended December 31, 2010 and 2009 to determine if the Village had road construction projects exceeding \$30,000 for which Ohio Rev. Code Sections 117.16(A) and 723.52 requires the Village engineer, or officer having a different title but the duties and functions of an engineer, to complete a force account project assessment form (i.e., cost estimate). We identified no projects requiring the completion of the force account assessment form.

Officials' Response: We have reviewed and are aware of comments noted and will take the necessary action to correct.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the Village's receipts, disbursements, balances and compliance with certain laws and regulations. Accordingly, we do not express an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management, those charged with governance, and others within the Village, and is not intended to be, and should not be used by anyone other than these specified parties.



Dave Yost
Auditor of State

June 6, 2011

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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
JULY 5, 2011