



**Auditor of State
Betty Montgomery**

VILLAGE OF POLK
ASHLAND COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Polk
Ashland County
P.O. Box 206
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, 2002 and 2001. 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 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2003, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 10, 2003

**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, 2002**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$6,682			\$6,682
Intergovernmental Receipts	37,073	\$16,148	\$28,376	81,597
Fines, Licenses, and Permits	290			290
Earnings on Investments	289	335		624
Miscellaneous	594	75		669
	<hr/>			
Total Cash Receipts	44,928	16,558	28,376	89,862
Cash Disbursements:				
Current:				
Security of Persons and Property	10,957			10,957
Public Health Services	251			251
Leisure Time Activities	3,379			3,379
Community Environment	2,028			2,028
Basic Utility Services	2,169			2,169
Transportation	1,120	19,400		20,520
General Government	30,417			30,417
Debt Service:				
Principal Payments			2,247	2,247
Capital Outlay			27,829	27,829
	<hr/>			
Total Cash Disbursements	50,321	19,400	30,076	99,797
	<hr/>			
Total Receipts (Under) Disbursements	(5,393)	(2,842)	(1,700)	(9,935)
Other Financing Receipts:				
Loan Proceeds			1,700	1,700
	<hr/>			
Total Other Financing Receipts	0	0	1,700	1,700
	<hr/>			
Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements	(5,393)	(2,842)	0	(8,235)
	<hr/>			
Fund Cash Balances, January 1	17,128	23,365	2,457	42,950
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Fund Cash Balances, December 31	\$11,735	\$20,523	\$2,457	\$34,715
	<hr/>			
Reserves for Encumbrances, December 31	\$2,050	\$0	\$0	\$2,050
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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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$6,538			\$6,538
Intergovernmental Receipts	43,119	\$16,062	\$13,058	72,239
Charges for Services	260			260
Fines, Licenses, and Permits	280			280
Earnings on Investments	475	376		851
Miscellaneous	1,175			1,175
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	51,847	16,438	13,058	81,343
Cash Disbursements:				
Current:				
Security of Persons and Property	11,853			11,853
Public Health Services	255			255
Leisure Time Activities	2,611			2,611
Community Environment	1,217			1,217
Basic Utility Services	2,348			2,348
Transportation	3,081	21,796		24,877
General Government	28,161			28,161
Debt Service:				
Principal Payments			182	182
Capital Outlay			15,352	15,352
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	49,526	21,796	15,534	86,856
Total Receipts Over/(Under) Disbursements	2,321	(5,358)	(2,476)	(5,513)
Other Financing Receipts:				
Loan Proceeds			729	729
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts	0	0	729	729
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	2,321	(5,358)	(1,747)	(4,784)
Fund Cash Balances, January 1	14,807	28,723	4,204	47,734
Fund Cash Balances, December 31	<u>\$17,128</u>	<u>\$23,365</u>	<u>\$2,457</u>	<u>\$42,950</u>
Reserves for Encumbrances, December 31	<u>\$659</u>	<u>\$0</u>	<u>\$0</u>	<u>\$659</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, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Polk, Ashland County, Ohio, (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 general governmental services, including the maintenance of Village streets. Fire protection and EMS services are provided by the Polk-Jackson-Perry Fire District.

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

The Village maintains all cash in a checking account.

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 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 has 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, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. 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 has the following Capital Projects Fund:

Village Capital Improvement Fund - This fund receives grant monies and loan proceeds to be used towards the village streets and storm drainage improvements.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve the appropriation measure 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 commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as capital outlay disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**VILLAGE OF POLK
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$34,715	\$42,950

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,461	\$44,928	(\$2,533)
Special Revenue	16,070	16,558	488
Capital Projects	0	30,076	30,076
Total	\$63,531	\$91,562	\$28,031

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$64,589	\$52,371	\$12,218
Special Revenue	39,434	19,400	20,034
Capital Projects	850	30,076	(29,226)
Total	\$104,873	\$101,847	\$3,026

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$49,992	\$51,847	\$1,855
Special Revenue	16,300	16,438	138
Capital Projects	15,669	13,787	(1,882)
Total	\$81,961	\$82,072	\$111

**VILLAGE OF POLK
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,839	\$50,185	\$12,654
Special Revenue	45,022	21,796	23,226
Capital Projects	15,669	15,534	135
Total	\$123,530	\$87,515	\$36,015

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not certify the availability of funds for certain expenditures during 2002 and 2001.

Contrary to Ohio Rev. Code Section 5705.41 (B), the Village had object level expenditures within the Capital Projects Fund which exceeded appropriations at December 31, 2002.

4. 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, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. DEBT

Debt outstanding at December 31, 2002 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan	\$6,800	0.00%

The Ohio Water Development Authority (OWDA) loan relates to a wastewater feasibility study project. The loan will be repaid in annual installments of \$850 with no interest, through January 2011. The loan is collateralized by the Village's taxing authority.

**VILLAGE OF POLK
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT (Continued)

Amortization of the above debt is scheduled as follows:

	<u>OWDA Loan</u>
Year ending December 31:	
2003	\$850
2004	850
2005	850
2006	850
2007	850
2008 – 2010	<u>2,550</u>
Total	<u><u>\$6,800</u></u>

6. RETIREMENT SYSTEMS

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement 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 2002 and 2001, OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Village has paid all contributions required through December 31, 2002.

Effective July 1, 1991, all employees not otherwise covered by OPERS had the option to choose Social Security or OPERS. At December 31, 2002, the Clerk-Treasurer and four members of the Village Council had elected Social Security. The Council's liability is 6.2% of wages paid.

7. RISK POOL MEMBERSHIP

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with approximately 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed 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 coverage, 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, 2002 AND 2001
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

The Plan uses conventional insurance coverages and reinsures these coverages. Effective September 1, 2002, the Plan retains 5% of the premium and losses on the first \$500,000 casualty treaty (up to \$25,000 of a loss) and 5% of the first \$1,000,000 property treaty (up to \$50,000 of a loss). The Plan also participates in a loss corridor in its first \$500,000 casualty reinsurance. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. (Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded.) The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Polk
Ashland County
P.O. Box 206
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, 2002 and 2001, and have issued our report thereon dated June 10, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2002-001 and 2002-002.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 10, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 10, 2003.

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Village of Polk
Ashland County
Independent Accountants' Report on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 10, 2003

VILLAGE OF POLK
ASHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001

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

FINDING NUMBER 2002-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same 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. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- a) Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- b) If the amount involved is less than \$1,000 (\$3,000 effective April 7, 2003), the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of Village Council, if such expenditure is otherwise valid.

During the audit period, 51 out of 60 expenditures tested (85%) were not certified by the Clerk-Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above was utilized for the items found to be in non-compliance. The Village should certify the availability of funds prior to incurring the obligation for expenditures. The Village should also implement the use of "Then and Now" certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41.

FINDING NUMBER 2002-002

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2002, object level expenditures exceeded appropriations within the following funds:

	Appropriations	Expenditures	Variance
General Fund – Security of Persons & Property – Law Enforcement	\$22,634	\$29,374	\$6,740
General Fund – General Government – Legislative Activities	\$7,900	\$8,710	\$810
Village Capital Improvement Capital Projects Fund – Street Resurfacing Project	\$850	\$30,076	\$29,226

In addition, appropriations posted to the Village's Appropriation Reports did not always agree to the Village's actual Annual Appropriation Measure. The Clerk-Treasurer should frequently compare actual expenditures plus outstanding encumbrances (if applicable) to appropriations at the object level to avoid overspending. In addition, the Clerk-Treasurer should periodically review the Village's Appropriations Reports to ensure appropriation amounts are posted accurately and timely.

**VILLAGE OF POLK
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002 AND 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-30503-001	Ohio Rev. Code 5705.41(D) – 75% of expenditures were not properly certified	No	Repeated as Finding Number 2002-001



**Auditor of State
Betty Montgomery**

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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 29, 2003**