



Mary Taylor, CPA
Auditor of State



Dave Yost • Auditor of State

January 27, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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DAVE YOST
Auditor of State

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VILLAGE OF CHERRY FORK
ADAMS COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Cherry Fork
Adams County
P.O. Box 4
Cherry Fork, Ohio 45618

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 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. 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.

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Mary Taylor, CPA
Auditor of State

December 21, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Cherry Fork
Adams County
P.O. Box 4
Cherry Fork, Ohio 45618

To the Village Council:

We have audited the accompanying financial statements of the Village of Cherry Fork, Adams County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008. 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. 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.

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, 2009 and 2008 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, 2009 and 2008, 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 of the Village of Cherry Fork, Adams County, Ohio as of December 31, 2009 and 2008, 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 December 21, 2010, 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

December 21, 2010

**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Local Taxes	\$10,444		\$10,444
Intergovernmental	3,855	\$6,952	10,807
Charges for Services	20		20
Fines, Licenses and Permits	1,355		1,355
Miscellaneous	535		535
	<u>16,209</u>	<u>6,952</u>	<u>23,161</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	1,027		1,027
Public Health Services	400		400
Basic Utility Service	604	1,918	2,522
Transportation	362		362
General Government	10,061	3,666	13,727
	<u>12,454</u>	<u>5,584</u>	<u>18,038</u>
Total Receipts Over Disbursements	<u>3,755</u>	<u>1,368</u>	<u>5,123</u>
Fund Cash Balances, January 1	<u>58,881</u>	<u>14,748</u>	<u>73,629</u>
Fund Cash Balances, December 31	<u>\$62,636</u>	<u>\$16,116</u>	<u>\$78,752</u>

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

**VILLAGE OF CHERRY FORK
ADAMS 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**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property and Local Taxes	\$8,749		\$8,749
Intergovernmental	3,866	\$7,866	11,732
Fines, Licenses and Permits	1,265		1,265
Miscellaneous	297		297
	14,177	7,866	22,043
Cash Disbursements:			
Current:			
Security of Persons and Property	968		968
Public Health Services	400		400
Basic Utility Service	297	1,761	2,058
General Government	12,954	665	13,619
Capital Outlay		8,972	8,972
	14,619	11,398	26,017
Total Receipts (Under) Disbursements	(442)	(3,532)	(3,974)
Fund Cash Balances, January 1	59,323	18,280	77,603
Fund Cash Balances, December 31	\$58,881	\$14,748	\$73,629

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

**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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 Cherry Fork, Adams County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides road maintenance services and street lighting in the Village.

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. Cash Deposits

The Village maintains all available funds in an interest bearing checking account.

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 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 Funds:

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

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for maintenance of the state highway in the Village.

**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

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 Cash Deposits

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$78,752	\$73,629

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

**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$14,191	\$16,209	\$2,018
Special Revenue	4,900	6,952	2,052
Total	\$19,091	\$23,161	\$4,070

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$12,454	(\$12,454)
Special Revenue	0	5,584	(5,584)
Total	\$0	\$18,038	(\$18,038)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$15,640	\$14,177	(\$1,463)
Special Revenue	5,250	7,866	2,616
Total	\$20,890	\$22,043	\$1,153

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$74,797	\$14,619	\$60,178
Special Revenue	5,393	11,398	(6,005)
Total	\$80,190	\$26,017	\$54,173

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Fund at December 31, 2008 by \$6,455. Budgetary expenditures exceeded appropriation authority in the General Fund and Street Fund at December 31, 2009 by \$12,454 and \$5,584, respectively.

The Village did not approve the tax rate resolutions in 2008 and 2009 by the required date.

**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

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.

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. Retirement System

The Village's officials 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 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

6. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

7. Compliance

The Village did not deposit monies on a timely basis.

The Village did not submit accurate annual financial reports to Local Government Services.

The Village did not accurately maintain the accounting records.



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 Cherry Fork
Adams County
P.O. Box 4
Cherry Fork, Ohio 45618

To the Village Council:

We have audited the financial statements of the Village of Cherry Fork, Adams County, Ohio (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated December 21, 2010, 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 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2009-004 described in the accompanying schedule of findings to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2009-002 described in the accompanying schedule of findings to be a significant deficiency.

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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-006.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 21, 2010.

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, Village Council, and others within the Village. We intend it for no one other than these specified parties.

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Mary Taylor, CPA
Auditor of State

December 21, 2010

**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of the transactions tested in fiscal year 2009 and 2008, there were fourteen out of 25 items tested (56%) that were not properly encumbered. Six of the encumbering errors were noted during 2009 in which invoice dates or expenditure receipt dates preceded the purchase order date, which included one purchase order that was not signed by the Fiscal Officer. There were eight encumbering errors noted during 2008, of which included no purchase order for one expenditure. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2009-001
(Continued)**

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to 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 2009-002

Noncompliance Citation / Significant Deficiency

Ohio Revised Code, § 9.38, requires that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt. The Village does not have such a policy. The only receipt in 2008 for Fines & Forfeitures was not deposited to the bank timely (four months). Receipts from the State and County for taxes and intergovernmental revenue were not always deposited to the bank timely, ranging from 2 days to 2 months. Failure to deposit timely increases the risk that receipts will be posted in the incorrect fiscal year, and that errors, theft or fraud could occur and not be detected in a timely manner. We recommend the Village deposit money received daily or adopt the necessary policy.

FINDING NUMBER 2009-003

Noncompliance Citation

Per **Ohio Revised Code, § 117.38**, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The Village submitted an incomplete annual financial report to Local Government Services for 2009 and a blank annual financial report to the Audit Division for 2008. Failure to file an annual financial report with the Auditor of State by the required deadline could result in fines and penalties. We recommend that the Village file complete annual financial reports with the Auditor of State.

FINDING NUMBER 2009-004

Noncompliance Citation / Material Weakness

Ohio Revised Code Section 733.28 requires the Village Fiscal Officer to maintain the books of the Village and exhibit accurate statements of monies received and expended. Ohio Admin. Code Section 117-2-02(A) requires that all local public offices shall 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 (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

We noted the following conditions related to the Village's accounting system:

- The Village did not accurately reconcile its bank account to fund balances during the two year audit period. Monthly bank reconciliations were not performed. Year-end reconciliations did not accurately reflect the Village's bank activity and fund balances.
- The 2009 financial report was submitted with numerous errors, including no fund balances and most of the line item postings were incorrect when compared to appropriation and receipts ledger postings. The following adjustments were required to reconcile the accounting ledgers to the bank at December 31, 2009: **General Fund** - increase Fund Balance by \$1,204; decrease Fines, Licenses, and Permits Revenue by \$40; increase General Government Expenditures by \$65; increase Property Taxes Revenue by \$970; increase Intergovernmental Revenue by \$299; increase Charges for Services Revenue by \$20. **Street Fund** - increase Fund Balance by \$4,883; increase Intergovernmental Revenue by \$4,878; decrease Basic Utility Service Expenditures by \$5. **State Highway Fund** - increase Fund Balance by \$13; increase Intergovernmental Revenue by \$13.
- The Village did not consistently provide Council with monthly financial reports.

The Village lacks management oversight in the classification of taxes and intergovernmental receipts. Also, the Village posted real estate settlements at net rather than at gross. This lack of oversight is illustrated by the following:

- 2008 General Fund Tax Revenue was decreased by \$1,177; Intergovernmental Revenue was increased by \$1,809; General Government Expenditures was increased by \$632.
- 2008 Street Fund Special Assessments Revenue was decreased by \$7,276; Intergovernmental Revenue was increased by \$7,276.
- 2008 State Highway Fund Special Assessments Revenue was decreased by \$590; Intergovernmental Revenue was increased by \$590.
- 2009 General Fund Tax Revenue was decreased by \$1,070; Intergovernmental Revenue was increased by \$1,941; General Government Expenditures was increased by \$936.
- 2009 Street Fund Special Assessments Revenue was decreased by \$1,893; Intergovernmental Revenue was increased by \$1,893.
- 2009 State Highway Fund Special Assessments Revenue was decreased by \$536; Intergovernmental Revenue was increased by \$536.

The Village also lacks management oversight in the recording of receipts:

The Village recorded a receipt that was never deposited to the bank in 2009 or 2010. The 2009 Street Fund Balance and Intergovernmental Revenue were decreased by \$340; the 2009 State Highway Fund Balance and Intergovernmental Revenue were decreased by \$28.

FINDING NUMBER 2009-004
(Continued)

Adjustments were posted to the financial statements and Village accounting ledgers, where applicable, to correct the above errors.

The lack of proper management oversight resulted in material misstatements of the Village's activity on the financial statements and accounting records.

Failure to accurately maintain the Village's account records 1) reduces the accountability over Village funds, 2) reduces the Council's ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Village's financial statements will be misstated. The Village has properly adjusted / reclassified the transactions described above in the accompanying financial statements, as well as the Village's accounting records.

We recommend:

- The Village Fiscal Officer reconcile accurately on a monthly basis. The Fiscal Officer should document and adequately explain other adjustment factors. Deposits in transit should be documented by receipt numbers reflecting the date, amount, and source of the deposit in transit. These deposits in transit should trace to the subsequent month's bank statement. Outstanding checks should be documented by check numbers reflecting the date, amount, and vendor. Bank balances plus deposits in transit, less outstanding checks, and any adjusting factors should agree to total fund balances in the Village records. The Fiscal Officer should document adjustments and any unexplained differences should be investigated and resolved immediately. Village officials should review and sign the reconciliations indicating their approval.
- The Village develop policies and procedures to enhance its controls over recording of financial transactions and financial reporting to help ensure the information accurately reflects the activity of the Village and thereby increasing the reliability of the financial data throughout the year. We also recommend the Village implement additional procedures over the completeness and accuracy of financial information reported within the annual financial report. Such procedures may include review of the financial statements and related components by a member of management and / or Council with analytical comparisons of the current year annual report to the prior year reports for obvious errors or omissions.
- To improve record keeping and accountability of receipts we recommend that all receipts be properly classified as Taxes or Intergovernmental Revenue. Real estate settlements should be recorded at gross with related expenditures rather than at net. All receipts should be promptly deposited to the bank prior to recording in the Village's accounting records.

FINDING NUMBER 2009-005

Noncompliance Citation

Ohio Revised Code, § 5705.41(B), states no taxing authority shall make any expenditure of money unless it has been appropriated as provided in such chapter. Expenditures exceeded appropriations in the Street Fund at December 31, 2008 by \$6,455. Expenditures exceeded appropriations in the General Fund and Street Fund at December 31, 2009 by \$12,454 and \$5,584, respectively. Failure to modify appropriations may result in negative fund balances.

We recommend the Village take steps to ensure appropriations are being properly monitored and recorded in the ledgers. No expenditure should be made unless funds have been sufficiently appropriated. The Fiscal Officer should deny payment requests lacking sufficient appropriations.

FINDING NUMBER 2009-006

Noncompliance Citation

Ohio Revised Code, § 5705.34, requires each taxing authority to pass an ordinance or resolution to authorize the necessary tax levies and to certify the levies to the County Auditor before October 1. Council did not approve the 2009 and 2010 tax rate resolutions until January 8, 2009 and January 7, 2010, respectively. Failure to properly authorize the necessary tax levies by the required deadline could result in a loss of tax funding.

We recommend that Council pass the necessary resolution by the required deadline. Council should document the approval of all resolutions in the minutes.

Officials' Response to All Findings Above:

We acknowledge the mistakes and they will be corrected.

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**VILLAGE OF CHERRY FORK
ADAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	ORC § 5705.41(D), failure to properly certify funds	No	Not Corrected – Re-Issued as Finding 2009-001
2007-002	OAC 117-2-02 (A) and (C), failure to properly post receipts and disbursements and estimates	No	Not Corrected – Re-Issued as Finding 2009-004

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Mary Taylor, CPA
Auditor of State

VILLAGE OF CHERRY FORK

ADAMS 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
JANUARY 27, 2011