

VILLAGE OF POLK

ASHLAND COUNTY, OHIO

AUDIT REPORT

For the Years Ended December 31, 2014 and 2013





Dave Yost • Auditor of State

Village Council
Village of Polk
200 E. Congress Rd
Polk, OH 44866

We have reviewed the *Independent Auditors' Report* of the Village of Polk, Ashland County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2013 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 9, 2015

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VILLAGE OF POLK
ASHLAND COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of Polk, Ashland County, (the Village) as of and for the years ended December 31, 2014 and 2013.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis permitted is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

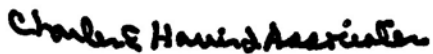
In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2014 and 2013, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Polk, Ashland County as of December 31, 2014 and 2013, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Charles E. Harris & Associates, Inc.
May 20, 2015

**VILLAGE OF POLK
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 7,268	-	\$ 7,268
Intergovernmental	17,879	\$ 21,043	38,922
Fines, Licenses and Permits	180	-	180
Earnings on Investments	5	11	16
Miscellaneous	2,753	-	2,753
<i>Total Cash Receipts</i>	<u>28,085</u>	<u>21,054</u>	<u>49,139</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,755	-	4,755
Public Health Services	128	-	128
Leisure Time Activities	519	-	519
Community Environment	1,711	-	1,711
Transportation	-	8,954	8,954
General Government	23,621	-	23,621
<i>Total Cash Disbursements</i>	<u>30,734</u>	<u>8,954</u>	<u>39,688</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,649)	12,100	9,451
<i>Fund Cash Balances, January 1, Restated</i>	<u>3,667</u>	<u>98,324</u>	<u>101,991</u>
Fund Cash Balances, December 31			
Restricted	-	110,424	110,424
Unassigned	1,018	-	1,018
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,018</u>	<u>\$ 110,424</u>	<u>\$ 111,442</u>

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

**VILLAGE OF POLK
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Proprietary Fund Types Enterprise</u>
Operating Cash Receipts	-
Operating Cash Disbursements	<u>-</u>
<i>Operating Income (Loss)</i>	-
Non-Operating Receipts (Disbursements)	
Intergovernmental Receipts	\$ 18,890
Special Assessments	27,240
Proceeds of OWDA Loans	128,328
Capital Outlay	<u>(192,209)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(17,751)</u>
<i>Net Income (Loss)</i>	(17,751)
<i>Fund Cash Balances, January 1</i>	<u>54,329</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 36,578</u></u>

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

**VILLAGE OF POLK
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts			
Property and Other Local Taxes	\$ 7,387	-	\$ 7,387
Intergovernmental	18,245	\$ 21,018	39,263
Fines, Licenses and Permits	230	-	230
Earnings on Investments	7	9	16
Miscellaneous	3,208	-	3,208
<i>Total Cash Receipts</i>	<u>29,077</u>	<u>21,027</u>	<u>50,104</u>
Cash Disbursements			
Current:			
Security of Persons and Property	4,534	-	4,534
Public Health Services	129	-	129
Leisure Time Activities	1,500	-	1,500
Community Environment	1,862	-	1,862
Basic Utility Services	317	-	317
Transportation	65	6,246	6,311
General Government	23,321	-	23,321
<i>Total Cash Disbursements</i>	<u>31,728</u>	<u>6,246</u>	<u>37,974</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(2,651)	14,781	12,130
<i>Fund Cash Balances, January 1</i>	<u>6,093</u>	<u>83,543</u>	<u>89,636</u>
Fund Cash Balances, December 31			
Restricted	-	98,324	98,324
Unassigned	3,442	-	3,442
<i>Fund Cash Balances, December 31</i>	<u>\$ 3,442</u>	<u>\$ 98,324</u>	<u>\$ 101,766</u>

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

VILLAGE OF POLK
ASHLAND COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Proprietary Fund Types Enterprise</u>
Operating Cash Receipts	-
Operating Cash Disbursements	<u>-</u>
<i>Operating Income (Loss)</i>	-
Non-Operating Receipts (Disbursements)	
Intergovernmental	\$ 10,443
Special Assessments	25,640
Proceeds of OWDA Loans	9,950
Capital Outlay	<u>(33,058)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>12,975</u>
<i>Net Income (Loss)</i>	12,975
<i>Fund Cash Balances, January 1</i>	<u>41,354</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 54,329</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, 2014 and 2013**

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, (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 Plan Risk Management, a 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. Council 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not report disbursements for investments purchases or receipts for investments sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

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 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.

**Village of Polk
Ashland County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

D. Fund Accounting (continued)

2. Special Revenue Funds (continued)

State Highway Improvement Fund – This fund receives gasoline and license taxes and motor vehicle tax money for constructing, maintaining, and repairing streets and sidewalks.

3. 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 (except certain agency funds) 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 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 forward to the subsequent year.

A summary of 2014 and 2013 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**Village of Polk
Ashland County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

1. Summary of Significant Accounting Policies (continued)

F. Fund Balance (Continued)

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other Villages; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution or ordinance). The Village must adhere to these commitments unless the Council amends the resolution or ordinance. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. 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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**Village of Polk
Ashland County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

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:

	2014	2013
Demand deposits	\$148,020	\$156,095

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 ending December 31, 2014 and 2013 follows:

2014 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$31,026	\$30,734	\$292
Special Revenue	114,901	8,954	105,947
Enterprise	220,310	192,209	28,101
Total	\$366,237	\$231,897	\$134,340

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$28,288	\$28,085	(\$203)
Special Revenue	16,577	21,054	4,477
Enterprise	224,934	174,458	(50,476)
Total	\$269,799	\$223,597	(\$46,202)

**Village of Polk
Ashland County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

3. Budgetary Activity (continued)

2013 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$32,001	\$31,728	\$273
Special Revenue	99,905	6,246	93,659
Enterprise	72,554	33,058	39,496
Total	\$204,460	\$71,032	\$133,428

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,272	\$29,077	(\$1,195)
Special Revenue	16,577	21,027	4,450
Enterprise	31,200	46,033	14,833
Total	\$78,049	\$96,137	\$18,088

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.

Ashland 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, 2014 was as follows:

	Principal	Interest Rate
OWDA Loan # 6852	\$4,864	1.50%
Total	\$4,864	

The Ohio Development Authority Loan # 6852 was entered into to finance the design and construction of wastewater collection and treatment system. The project was started in 2014 and \$192,337 of the estimated \$1,394,201 loan amount has been drawn. OWDA has forgiven \$187,473 of the drawn amount. This loan will be repaid in semi-annual installments over thirty years at 1.5% interest. The amortization schedule will be finalized when the project is completed. The loan is collateralized by the Village special assessments for sewer and the future revenue of the sewer system.

**Village of Polk
Ashland County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

6. Retirement Systems

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits. The Ohio Revised Code also prescribes contribution rates.

For 2014 and 2013, 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, 2014.

7. Risk Management

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as 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 Ohio Governments ("Members"). The Plan is legally separate from its member Villages.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 774 members as of December 31, 2012 and 2013 respectively.

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 equity at December 31, 2012 and 2013 (the latest information available).

	<u>2012</u>	<u>2013</u>
Assets	\$13,100,381	\$13,774,304
Liabilities	(6,687,193)	(7,968,395)
Members' Equity	<u>\$6,413,188</u>	<u>\$5,805,909</u>

**Village of Polk
Ashland County
Notes to the Financial Statements (continued)
December 31, 2014 and 2013**

7. Risk Management (Continued)

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

8. Prior Period Adjustments

Voided checks in 2014 caused the following restatements to the prior year fund balances.

	General Fund
Fund cash balance, December 31, 2013	\$3,442
Adjustments	225
Fund Cash Balance January 1, 2014	<u><u>\$3,667</u></u>

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

**INDEPENDENT AUDITOR'S 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, OH 44866

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Polk, Ashland County (the Village) as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 20, 2015, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider material weaknesses.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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 findings 2014-001 through 2014-003 described in the accompanying schedule of findings to be material weaknesses.

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, opining 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2014-002.

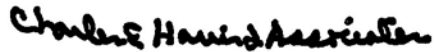
We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated May 20, 2015.

Entity's Responses to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charles E. Harris and Associates, Inc.
May 20, 2015

VILLAGE OF POLK
ASHLAND COUNTY
SCHEDULE OF FINDINGS
December 31, 2014 and 2013

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

FINDING NUMBER 2014-001 Material Weakness

Mispostings and Misclassifications Resulting in Financial Statement Adjustments

During 2014 and 2013, the Village erroneously recorded several transactions. The more significant adjustments are as follows:

- In 2014 and 2013, \$1,519 and \$1,478, respectively, of Homestead and Rollback monies were misclassified as Property Tax receipts instead of Intergovernmental receipts.
- In 2014 and 2013, \$2,373 and \$2,420, respectively, of hall and park rental revenue were misclassified as Charges for service instead of Miscellaneous receipts
- In 2014 and 2013, \$18,890 and \$10,442, respectively of grant money from the U.S. Army Corps of Engineers were incorrectly posted to the Sewer fund's Miscellaneous receipts rather than Intergovernmental receipts.
- In 2014, \$57,946 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.
- In 2013, \$9,950 of Ohio Water Development Authority loan proceeds were incorrectly posted to the Sewer fund's Miscellaneous receipts rather than the Proceeds of Loans receipts
- In 2013, Zoning fees and violations payments were incorrectly posted as Miscellaneous receipts instead of Licenses, permits and fees.
- In 2013, cigarette tax was posted as Miscellaneous receipts instead of Intergovernmental receipts

Adjustments were made in the financial statements and Village records.

The Village Officers' Handbook and the UAN accounting system provide suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example). Using these classifications provide the Village with information required to monitor compliance and with the budget and prepare annual reports in the format required by the Auditor of State.

We recommend that the Village refer to the Village Officer's Handbook and UAN accounting system to properly classify its transactions. We also recommend the Fiscal Officer review all reports compiled by the computer software company to ensure their accuracy.

Management Response: I will refer to the Village Officer's handbook and UAN accounting systems to properly classify my transactions in the future.

VILLAGE OF POLK
ASHLAND COUNTY
SCHEDULE OF FINDINGS
December 31, 2014 and 2013

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

FINDING NUMBER 2014-002 Material Weakness and noncompliance

Improper recording of OWDA Loan

Ohio Rev. Code § 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 2014, the Village received \$70,382 of Ohio Water Development Authority (OWDA) for sanitary sewer construction. Under the terms of this agreement, OWDA makes project payments directly to the vendor/contractors on the Village's behalf. These on-behalf payments were not recorded in the Village's accounting records, thus understating their enterprise funds' intergovernmental and capital outlay disbursements.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement. Failure to do so results in an understatement of receipts and disbursements. Additionally, the Village should record the appropriations in their accounting records and should request an amended certificate of estimated resources to reflect the additional receipts.

Adjustments were made in the financial statements and the Village's records to reflect the proper presentation.

Management Response: Part of this was a loan payment of an old loan rolled into the new loan and part was from a transaction that posted in 2015. However, in the future, I need to make sure that all transactions on these loans including service fees and payments paid directly to contractors are recorded properly as transactions in the Village accounting records.

FINDING NUMBER 2014-003 Material Weakness

Posting estimated revenues and appropriations

The Village did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Village Council and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system (UAN).

This resulted in varying amounts posted to UAN and information available to the Village officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. Adjustments were made to the budgetary activity reported in Note 3 to the financial statements in order to accurately present estimated receipts and appropriations as certified by the County Budget Commission and Council.

We recommend the Village implement procedures to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission and Council after each amendment.

VILLAGE OF POLK
ASHLAND COUNTY
SCHEDULE OF FINDINGS
December 31, 2014 and 2013

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS – continued
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FINDING NUMBER 2014-003 Material Weakness (continued)

Posting estimated revenues and appropriations (continued)

Management Response: The Village will take care to ensure estimated receipts and appropriations are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission and Council after each amendment.

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Dave Yost • 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
SEPTEMBER 22, 2015