



**JIM PETRO**  
**AUDITOR OF STATE**

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STATE OF OHIO

**Village of Wellsville**  
**Columbiana County**

**Report on Accounting Methods**

Local Government Services Division

**Village of Wellsville, Columbiana County**  
**Report on Accounting Methods**  
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**STATE OF OHIO**  
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### **CERTIFICATION**

In compliance with the requirement set forth in Section 118.10 (A) of the Ohio Revised Code, an assessment of the methods, accuracy, legality of the accounts, records, files, and reports of the Village of Wellsville was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Village and whether there are adequate controls in place to assure confidence in the records. The deficiencies and non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report and summarized in the conclusion. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Joe Gray, Chairman of the Financial Planning and Supervision Commission of the Village of Wellsville; Joseph E. LaScola, Mayor of the Village of Wellsville; and John Cataldo, President Pro Tempore of Council.

**JIM PETRO**  
Auditor of State

January 3, 2002

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### PURPOSE

As required by Section 118.10 (A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the method, accuracy and legality of the accounts, records, files and reports of the municipality. Such report shall state whether Chapter 117 of the Revised Code, the requirements of the office of the Auditor of State have been complied with..."

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the Village, and (2) whether the current accounting system is in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing Village personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Village of Wellsville. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### The Village and Form of Government

The Village of Wellsville (the Village) is located in northeast Ohio in southern Columbiana County. The Village is a home rule municipal corporation regulated by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Operating as a statutory village, Wellsville must comply with all State laws regulating village government. The decision-making process is directed by an elected Village Council and Mayor.

The Council is the legislative authority of the Village and consists of six members who are elected at large and serve terms of four years. The Council elects a President Pro Tempore to preside over Council meetings in the Mayor's absence. The Council has the authority to prescribe by ordinance the manner in which any power of the Village shall be exercised.

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Council. The Mayor makes recommendations to Council, and has voting rights only in the case of a tie. The Mayor appoints the Village Administrator and various other Village officials. The Mayor also has certain judicial powers and may hear and determine cases involving violations of Village ordinances and all traffic violations within the Village, subject to certain statutory limitations. The Village operates a Mayor's Court presided over by the Mayor of the Village.

The Clerk-Treasurer is elected to a four-year term and serves as the Chief Fiscal Officer of the Village and Clerk for the Council. The Clerk-Treasurer attends all Council meetings and keeps a record of all proceedings, rules, bylaws and legislation. In addition, the Clerk-Treasurer keeps accurate statements of all moneys received and expended by the Village and keeps records of all property owned by the Village and of all taxes and assessments. The Clerk-Treasurer establishes the accounting procedures for the Village necessary to comply with the administrative rules adopted by the Auditor of State.

The Clerk-Treasurer resigned effective December 8, 2001. The Village Council has appointed an interim Clerk-Treasurer. H.B. 245, enacted Ohio Revised Code Section 733.262, effective February 1, 2002, which provides that in lieu of having the elected office of village clerk and the office of village treasurer, or the combined elected office of village clerk-treasurer, a village may combine the duties of the clerk and treasurer into one appointed office, to be known as the village fiscal officer. The Village Council is in the process of taking necessary steps to implement these provisions.

Council has hired an attorney under a professional services contract to serve as the Village Solicitor. The Village Solicitor is the chief legal officer of the Village.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Budgetary System

#### Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and what type of financial resources shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various Village departments, programs offered to its residents, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligations.

**Statutory Requirements** - The budgetary process for the Village is prescribed in Chapter 5705, Revised Code, and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance.

**The Tax Budget:** The Mayor prepares an annual tax budget for the period of January 1 to December 31 of the following year of the estimated revenues and expenditures for all funds of the Village. The budget must be filed in the Village Clerk-Treasurer's office for public inspection ten days before adoption by Village Council. At least one public hearing must be held for discussion of the budget. Village Council is required to adopt the budget by July 15 and the budget must be submitted to the Columbiana County Budget Commission by July 20 of each year.

The budget commission examines the budget to ascertain that all tax levies of the Village are properly authorized. The budget commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

**Certificate of Estimated Resources:** The budget commission issues an official certificate of estimated resources on or about September 1, based upon information provided in the tax budget and other information available to the budget commission.

On or about January 1, the Village Clerk-Treasurer certifies to the budget commission the actual year end balances of all Village funds. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources which includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Village Clerk-Treasurer determines that the revenue to be collected by the Village will be greater than or less than the amount included in the official certificate.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Budgetary System

(Continued)

Appropriation Ordinance: On or about January 1, the annual appropriation ordinance must be enacted by the Village Council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the Village until April 1. The appropriation ordinance, by fund, must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriations or alter the levels adopted by council, must be approved by council. The Village may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

Encumbrances: As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

Administrative Code Requirements All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be in violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to the provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in section 5705.38 of the Revised Code. The legal level of control is a discretionary decision to be made by the legislative authority, and must meet or exceed the level prescribed in section 5705.38 of the Revised Code.

### Methods Used by the Village

The Village tax budget is prepared by the Clerk-Treasurer and is based on prior year receipts and expenditures and estimates for the next year based on information at the time of preparation. The tax budget is reviewed by the Village Council Finance Committee without input from other Village department heads and the Mayor. Capital outlay for facilities and equipment is addressed annually during the tax budget preparation process. The Finance Committee determines the amounts to be shown in the tax budget, and the final version is prepared by the Clerk-Treasurer who presents it to Council for approval and adoption.

Notice of a public hearing is published by the Clerk-Treasurer, and such hearing is held by Council prior to the adoption of the tax budget. The tax budget for the next year is generally adopted by July 15th.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Budgetary System

(Continued)

Council adopts a resolution to authorize the necessary tax levies and certifies the resolution to the Columbiana County Auditor on, or before, October 1.

The Village submitted the Certificate of Year End Balances for the year ended December 31, 2000 on August 21, 2001 to the Columbiana County Budget Commission in order to obtain an Amended Official Certificate of Estimated Resources.

The Annual Appropriation ordinance is passed by Council prior to January 1. Council establishes the legal level of control at a departmental and object level in the annual appropriation ordinance.

### Auditor of State Comments

- The department heads are not involved with the development of the tax budget.
- The Mayor does not prepare the proposed tax budget in conjunction with the Village Clerk-Treasurer and submit the proposal to Council in advance so that Council has the opportunity to make inquiries and changes prior to the public hearing.
- The file copy of the tax budget for calendar year 2002 was not signed and dated by the appropriate Village Officials.
- The tax budget did not include all funds of the Village, a statement of permanent improvements, or the information required for the debt issues.
- The Village does not have a long-term plan or budget for its primary operating funds.
- The Village does not have a long-term capital budget identifying anticipated projects and the means of financing them.

### Appropriations:

- The appropriation ordinance does not present information in a format that allows for amounts to be traced to the ledgers or verification that amounts are within the certificate of estimated resources.
- The totals and subtotals in the appropriation ordinance are mathematically incorrect.
- Fund names in the appropriation ordinance are different from the fund names on the amended official certificate of estimated resources.



# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Budgetary System

(Continued)

- Appropriations are not limited to the amounts reflected on the certificate of estimated resources.
- The Village allows expenditures to exceed the appropriated amounts authorized by Council.
- Minutes do not reflect whether grant applications will require a matching share from the Village and, if so, the fund providing the matching share.
- The Village does not advance money from the general fund to cover expenditures in grant funds until reimbursements are received.
- Management does not request supplemental appropriations when necessary.

### Certificate of Year End Balances:

- The certificate of estimated resources is not amended to include the actual unencumbered balances within the period required by statute.

### Amended Official Certificate of Estimated Resources:

- The Village does not compare estimated (budgeted) revenues to actual revenues during the year.
- The Village has not requested an amended official certificate of estimated resources for any revised estimates in revenues.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Chart of Fund and Account Codes

#### Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund and account codes is necessary to classify and summarize receipt and disbursement transactions. Fund codes should allow for the classification and identification of fund types and the individual funds. Receipt and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program and activity codes.

**Statutory Requirements** - The creation of funds is authorized by Section 5705.09, Revised Code. Section 5705.13, Revised Code, allows for the creation of reserve funds for budget stabilization, self-insurance reserves, retrospective workers' compensation reserves, accumulated sick and vacation leave reserves, and a reserve for the acquisition, construction, or improvement of fixed assets. Additional funds may be established under Section 5705.12, Revised Code, with the written approval of the Auditor of State.

**Administrative Code Requirements** - Section 117-9-01 of the Ohio Administrative Code requires funds to be established by each village based on statutory requirements and accounting needs. Section 117-9-01 of the Ohio Administrative Code also states that when not authorized or required by statute, the establishment of a new fund requires prior written Auditor of State approval under section 5705.12 of the Revised Code. Receipts are to be classified by fund and source. Expenditures/disbursements for governmental funds are to be classified by fund, program and/or object code. Disbursements from proprietary and similar trust funds are to be classified by object. Suggested receipt sources and expenditure programs and objects are provided in the Administrative Code.

#### Auditor of State Comments

- The Village has established funds without proper authorization from the Auditor of State and/or outside of those allowed by State statutes.
- The Village has not established separate funds to account for the three-tenths mill levy for the police and fire pension funds.
- The Village did not establish the sanitary sewer system mortgage revenue bond and interest sinking fund required by the bond agreement with the U.S. Department of Agriculture Rural Development Agency.
- The Village does not use revenue and expenditure account titles adequate to classify and summarize receipt and disbursement transactions, and receipt and disbursement account codes that allow the transactions to be summarized by major revenue sources or expenditure programs.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Chart of Fund and Account Codes

(Continued)

- The major object codes for expenditures are not used consistently throughout the various programs and activity accounts in all funds.
- The Village Clerk-Treasurer does not assign or monitor the assignment of account codes.
- A manual that documents the account code structure is not maintained and made available to all Village departments.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Accounting Ledgers

#### Description of Effective Accounting Ledgers

The accounting ledgers of the Village should allow for ongoing and timely information on estimated and actual revenues, disbursements and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the available treasury balance. The information captured for each transaction should allow the transaction to be trailed throughout the ledgers and back to the document that originated the transaction.

**Administrative Code Requirements** - Ohio Administrative 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 Ohio Administrative Code Section 117-2-03.

Section 117-2-02(D) of the Ohio Administrative Code states that all local public offices may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

**Cash Journal** - The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Village Clerk-Treasurer's office. The cash journal presents receipts deposited to and warrants drawn against the Village treasury and the fund to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in-orders and warrants. The related pay-in-order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month and year-to-date totals are to be recorded.

**Receipt Ledger** - The receipt ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance is presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Receipt transactions are posted from the cash journal based on the account code. A balance reflecting the estimated amount remaining to be received is maintained. At the end of each month, month and year-to-date totals are to be recorded.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Accounting Ledgers

(Continued)

Appropriation Ledger - The appropriation ledger is used to summarize appropriations, disbursements and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the Village, the warrant/check issued for the payment of the obligation, and any necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Village to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month and year-to-date totals are to be recorded.

### Methods Used by the Village

The Village uses a manual Cash Journal, Receipts Ledger, and Appropriation Ledger to maintain its accounting records. Receipt transactions are recorded to the Cash Journal with the amount, payer's name, pay-in number, and the apportioned fund amounts are recorded to the appropriate fund. Expenditures are recorded in the Cash Journal with the amount, payee, check number, and the apportioned fund amounts are recorded to the appropriate fund. Month-to-date receipts and expenditures are recorded in the Village Treasury Columns and the individual fund columns. Year-to-date treasury balances are recorded each month and year-to-date receipts, expenditures, and balances are recorded for the individual funds.

Receipts are posted in the Receipts Ledger by account with the date, payer, purpose, receipt (pay-in) number and amount. Amounts for the month are totaled and a year-to-date amount is recorded on each revenue account sheet. The amount of budget estimate and the remaining amount estimated to be received for the year are not recorded by account.

Expenditures are recorded in the Appropriation Ledger by account with the date, payee, purpose, check number, and check amount. Amounts for the month are totaled and a year-to-date amount is recorded for each appropriation ledger account. The amount appropriated for the year is posted to the individual accounts.

### Auditor of State Comments

- The use of manual journal and ledgers is not the most efficient and effective means of maintaining the accounting records considering the size of the Village and the number of transactions.

### Cash Journal:

- The cash journal is not updated on a daily basis.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Accounting Ledgers

(Continued)

#### Receipts Ledger:

- All ledger pages are not properly labeled with the fund, major revenue source, account name and number.
- Estimated receipts for the year are not recorded for each receipt account.
- Estimated receipts are not being reduced as receipts are posted to the receipts ledger.
- The receipts ledger is not updated on a daily basis.

#### Appropriation Ledger:

- All ledger pages are not properly labeled with the fund, program, activity, object descriptions, the full account code, and the sheet number.
- Encumbrances are not recorded in the appropriation ledger and the unencumbered balance for each appropriation account is not computed.
- The Village does not record certifications, adjustments, in the appropriation ledger.
- The Village does not post principal and interest to separate accounts.
- The appropriation ledger is not updated on a daily basis.
- The Village does not have written month-end closing procedures which includes a list of reports to be prepared and distributed.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Receipt Transactions

#### Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The receipt should bear the name of the entity and reflect the date received, the payee, amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payee. All receipts or pay-in-orders should be recorded in the cash journal and receipt ledger in a timely manner.

**Statutory Requirements** - Section 9.38, Revised Code, provides, a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

**Administrative Code Requirements** - Section 117-2-02(D)(1) of the Ohio Administrative Code requires the date, amount, receipt number, account code, and any other information necessary to properly classify the receipt transactions to be recorded in the Cash Journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payer, purpose, receipt number, and other information required for the transactions be recorded in the receipts ledger.

#### Methods Used by the Village

The Mayor, Clerk-Treasurer, Police Chief, Police Department Secretary, Mayor's Secretary/Clerk of Mayor's Court, Assistant Clerk, and Income Tax Clerk are bonded. The Cemetery Superintendent and Fire Chief who routinely receive, process, and deposit cash, checks, and cash items are not bonded. The Village also has insurance coverage for theft, disappearance, and forgery for employees through its crime coverage insurance policy.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Receipt Transactions

(Continued)

#### Clerk-Treasurer's Office

Cash and checks received through the mail, individuals, and Village departments are processed in a similar manner. All checks received from the Auditor of State, County Auditor, vendors, and other sources are deposited to the bank on its own deposit slip. A separate pay-in-order is prepared for each item received. Property tax settlement sheets are filed in a property tax folder and a copy is attached to the copy of the pay-in-order that remains in the pay-in-order book. All other deposits that have supporting paperwork (e.g. copy of the check or any explanation) are attached to the copy of the pay-in-order that remains in the pay-in-order book.

The Income Tax Department provides a Daily Report - Cash Received report that agrees with the deposit slip. A pay-in-order is prepared recording the amount in the general fund for the amount of the deposit. Income tax collections are deposited daily into the Village's general bank account and a record of the daily deposits is maintained in the Clerk-Treasurer's Office from the daily reports and deposit slips turned in by the Income Tax Department.

Police Department personnel will either send individuals or bring individuals to the Clerk-Treasurer's Office for payment of fees for copies of police reports, fingerprinting, and other services. The Assistant Clerk prepares a pay-in-order for the amount received in the name of the individual and gives the individual the original of the pay-in-order. The Police Department receives checks from insurance companies and occasionally receives cash from others for copies of police reports through the mail. A police officer brings the cash and checks received through the mail to the Assistant Clerk daily, who prepares a pay-in-order for the total of cash and checks and gives the police officer the original of the pay-in-order.

The Fire Chief receives checks from insurance companies and occasionally receives cash from others for copies of fire reports through the mail. The Fire Chief brings the cash and checks received through the mail to the Assistant Clerk daily, who prepares a pay-in-order for the total of cash and checks and gives the Fire Chief the original of the pay-in-order.

Cemetery monies are deposited on a monthly basis in the Village's general account. The Cemetery Superintendent provides the validated deposit slip with an note indicating the account distribution of receipts to the Assistant Clerk in the Clerk-Treasurer's Office. The Assistant Clerk prepares a pay-in-order. The Cemetery Superintendent does not obtain the original or copy of the pay-in-order.

The Zoning Inspector receives cash and checks from businesses and individuals for building and zoning permits and building inspections. The Zoning Inspector brings the cash and checks to the Assistant Clerk daily, who prepares a pay-in-order for the total of cash and checks and gives the Zoning Inspector the original of the pay-in-order.



# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Receipt Transactions

(Continued)

The Mayor's Court remits fine and cost money by check to the Clerk-Treasurer monthly accompanied by a report indicating the classifications and amounts remitted.

The Village receives sewer revenues monthly by check from the Buckeye Water District which bills and collects sewer rental charges. Sewer rates are based on water consumption, established by Village Council Ordinance, and have been periodically changed. Effective July 1, 1999 the rates for the first 3,000 gallons or less were increased to \$15.00 per gallon per month, and to \$5.00 per month per gallon for all usage over 3,000 gallons per month. Effective July 1, 2000, the rates for the first 3,000 gallons or less were increased to \$16.88 per gallon per month, and to \$5.63 per month per gallon for all usage over 3,000 gallons per month

Cash and checks are verified against supporting documentation which includes a report or other information from Village departments, a check stub, and reports such as property tax settlement sheets. Cash and checks are totaled, checks are endorsed, and a bank deposit slip is prepared. Deposits are made daily when money is received.

A pay-in-order is prepared for the gross amount and any deductions are listed by fund. The supporting documentation is attached to the pay-in-order. The pay-in-order number, amount, date, payer, and fund distribution are posted to the Cash Journal. The date, payer, purpose, pay-in-order, and distribution amounts are posted to the Receipts Ledger. The pay-in-orders are posted to the Cash Journal daily and Receipts Ledger weekly.

Transfers are authorized by Council in the Annual Appropriation Ordinance or separate ordinance and are recorded in the Cash Journal, Appropriation Ledger, and Receipts Ledger.

At the end of the month, the Assistant Clerk computes and enters into the ledger the month and year-to-date amounts for each account. The monthly amounts are totaled by fund in the Cash Journal and reconciled to the bank statement deposits and the amounts in the Receipts Ledger.

### Income Tax Department:

Payments are received in cash and check from walk-in taxpayers and through the mail, for individual final returns, employer withholding, employee withholding reconciliations, miscellaneous payments on account, and declaration of payments. A receipt is prepared for all payments of cash and checks. Payments and filing information from the forms are posted manually to the appropriate individual or business account ledger.

A report is prepared for all cash and checks received and reconciled to the daily report. All cash and check payments are entered on triplicate deposit slips. All receipt forms, report, money, and deposit slips are balanced and verified by the Income Tax Clerk.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Receipt Transactions

(Continued)

The cash report provides totals for the amounts collected and posted to individual accounts for the day and the total deposits for the day. The amounts on the cash report are verified to the deposit slip for the day. The cash, checks, and deposit slip are taken by the Income Tax Clerk to the bank daily.

The validated deposit receipt is attached to the daily report, given to the Assistant Clerk, a copy of the pay-in-order is obtained from Clerk-Treasurer's Office, and filed with the Income Tax Department's daily report.

When the Income Tax Clerk is not at work or in the Village administration building, no one else collects income tax money.

The individual and business income tax forms are mailed the third week in December to individuals and businesses. The filing deadline is April 15. A declaration of estimated taxes for the following year is included as part of the Village Income Tax Return. Estimated tax payments are required either as lump sum payment due at the time of filing, or quarterly. Statements for quarterly declarations are sent out in early April, June, September, and December.

Employers are required to remit withholdings and file a quarterly report of income taxes withheld. The Tax Department mails the Quarterly Withholding Statement forms to employers the last week of December, March, June, and September. Final employer withholding reconciliation forms are mailed in December, due April 15.

A 1099-G is sent out to all recipients of refunds during the calendar year by mid-January.

### Income Tax Delinquencies:

Accounts are reviewed manually to identify non-filers and delinquent accounts. Non-filers are further identified by matching a listing of individuals using Wellsville as a residence obtained from the Ohio Department of Taxation, real estate transfers, informants, local newspapers, and various other sources.

A letter notifying nonpayers and delinquent payers is mailed in June and a follow-up letter in October. The letters generate very little response. No court action is taken because of a perceived conflict of interest in handling such cases in the Columbiana County Court System.

Payment plans are set up with individuals owing a balance due for taxes and interest to make monthly payments.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Receipt Transactions

(Continued)

An accurate list of delinquent accounts is not available due to the manual system currently in use. An estimate of income taxes due from non-filers is not available.

The Police Department uses five-part traffic and parking tickets. The traffic ticket white copy is given to the court, the pink copy is retained by the police department, the blue copy is given to the defendant, the yellow copy is given to the court, and the off-white hard copy remains in the ticket book. The Police Department issues the ticket books to its officers as they are needed. All tickets are numbered sequentially.

#### Mayor's Court (Clerk of Courts):

A receipt for the amount of payment is given to the individual making payment and the blue copy of the ticket is collected from them. The payment is logged on the paid line in both the arrest book and the criminal docket. Payments made by check or cash are totaled for the day, compared to the receipts issued for the day, and deposited into the Mayor's Court Account. The blue ticket is then filed numerically by date the ticket is issued.

A list is maintained of all payments, that includes payer's name, receipt number, case number, amount paid, and date of payment. The total receipts for the month is compared to the receipts posted to the Mayor's Court Cash Book daily.

The white copy of the ticket received from the Police Department is included with the individual case docket and the yellow copy is forwarded to the Bureau of Motor Vehicles after the case is completed or the individual pays the fine prior to the court date.

A monthly report is filed with the Treasurer of State and the Village of Wellsville accompanied by a payment to each.

Delinquent court costs and fines are collected on an irregular basis by issuing arrest warrants. An estimate of total delinquent court costs and fines is not available.

The Clerk of Court maintains outstanding parking tickets in a numerical file. As individuals come in to pay parking tickets, the Court copy is manually pulled, the money is collected and a receipt is given. The receipt is recorded as a miscellaneous cost, the ticket file copy is marked paid, and the payment is included in the monthly reports.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Receipt Transactions

(Continued)

#### Auditor of State Comments

- Real estate taxes, personal property taxes, manufactured home taxes, and homestead and rollback reimbursements are not posted to the proper fund and account in the correct amounts.
- Law enforcement fund revenues are posted to the general fund.
- The Income Tax Department does not maintain an aggregate balance due for accounts on payment plans.
- The Village does not have written policies and procedures to aggressively identify individuals and business not filing income tax returns or to collect unpaid income taxes.
- The Income Tax Department does not have a written policy and procedures manual.
- The Mayor's Court does not have an open items list reflecting outstanding bonds and undistributed fines and costs.
- The Mayor's Court does not have written policies and procedures in place to identify and collect the amount of current and delinquent court costs and fines receivable; the number of unpaid parking tickets; the total amount due on parking tickets; and does not utilize available State statutes and BMV procedures to collect on unpaid court fines, costs, and unpaid parking tickets
- The Mayor's Court Clerk of Court does not have adequate knowledge and training in the accounting and reporting requirements for a Mayor's Court.
- The Mayor's Court does not reconcile the balance in the Mayor's Court Account to the cashbook and docket.
- The Village Police Department does not have a procedure to account for unissued and issued traffic and parking tickets.
- The Village does not have a comprehensive, written set of procedures for the collection, recording and deposit of monies.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Purchasing Process

#### Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and that the purchasing process be integrated with the budget. The process should include an authorization of need and selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Statutory Requirements** - Several State laws govern the purchasing process. The requirements are as follows:

**Certification of the Fiscal Officer** - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies.

**"Super" Blanket Certification of the Availability of Funds:** The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained by the fiscal officer. Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Purchasing Process

(Continued)

Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Village. The Village Clerk-Treasurer may approve amounts less than \$1,000 without Council approval

Authority to Contract - Contracts are made by the Village Council and executed in the name of the Village by the Mayor and the Clerk-Treasurer, or the Clerk-Treasurer and Village Administrator for departments under the administrator's supervision, except as otherwise specified by statute.

Bidding - All contracts calling for expenditures in excess of \$15,000 shall be in writing and made to the lowest and best bidder. Ohio Revised Code Section 731.14 requires that bids be opened and publicly read by the Clerk-Treasurer at the time, date, and place specified in the advertisement for bids. Ohio Revised Code Section 731.141 requires that bids be opened and publicly read by the Village Administrator for departments under the Administrator's supervision at the time, date, and place specified in the advertisement for bids. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

2. Personal services of a specialized nature;
3. Goods and services when only one source is available;
4. Work to be done or for the purchase of supplies and materials in any department of the Village if a real and present emergency exists;
5. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
6. Purchases from other political subdivisions and agencies; and,
7. Goods purchased under the State Cooperative Purchasing Program.

Administrative Code Requirements - Section 117-2-02(C)(2) of the Ohio Administrative Code states, "purchase orders should be used to approve purchase commitments and to encumber funds against the applicable appropriation account(s), as required by Section 5705.41(D) of the Revised Code. Purchase orders are not effective unless the fiscal officer's certificate is attached. The certificate should be attached at the time a commitment to purchase goods or services is made."

### Methods Used by the Village

The department head writes the request on a requisition form with all pertinent information, including the vendor name, the merchandise or service to be purchased, and the estimated cost or

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Purchasing Process

(Continued)

exact price, if available. The requisition is then presented to the Clerk-Treasurer for approval. Upon approval by the Clerk-Treasurer, the requisition is given to the Assistant Clerk for the assignment of a purchase order number, with the date, purchase order number, vendor, and description written on the Purchase Order Log. The purchase order number is given to the department and the department head orders the merchandise or service. The merchandise or service is received directly by the department.

The information provided on the requisition form is written on the purchase order, a four part form. The original of the purchase order is normally signed with the Clerk-Treasurer's signature stamp. The original is retained in the Clerk-Treasurer's Office to match to the invoice when it arrives. The second part is labeled Vendor and retained by the Village, the third part is retained in numerical file in the Clerk-Treasurer's Office, and the fourth part is given to the department.

Vendor file maintenance is accomplished manually by the Assistant Clerk. If a department chooses to do business with a new vendor, the vendor is contacted to obtain remittance information. The Village provides information to the new vendor including the Village's tax exempt number, billing address, and contact information. They are also made aware of the Village's purchasing procedure in accordance with the Ohio Revised Code. The Village sends a W-9 form to the new vendor at that time or some time later in the year when all vendors are contacted to supply that information. The W-9 is kept on file, and is available for review. The information is used to determine whether the vendor will receive a 1099 form.

### Bidding:

The Village follows statutory procedures for bidding. Village Council authorizes specific individuals to advertise for specific bids by ordinance. Village Council then passes ordinances awarding the contract for the bid. The ordinance cites the reasons for accepting the bid and authorizes specific individuals to enter into or execute various individual contracts for the purpose of the bid.

The Mayor, Village's engineering consultant, the appropriate department official, and interested parties such as vendors generally attend bid openings. The Mayor's Secretary takes minutes or otherwise records each bidder and the amount of the bid. The Village's engineering consultant reviews the bids and makes recommendations on which bid to accept.

### Contracts:

The Village enters into various contracts for a variety of services, purchases, and special projects. Contracts are authorized by Village Council and signed by those authorized in the Ordinance.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Purchasing Process

(Continued)

#### Auditor of State Comments

- The departments do not put expenditure account codes on the requisitions to allow determination of available appropriation prior to approval or disapproval of the requisition.
- Requisitions are frequently handwritten notes on various types of paper instead of the requisition form, and are often not dated.
- Purchase orders are prepared without identifying the fund and appropriation account, the appropriation account code, the goods and services being purchased, quantities, unit prices, and extended amounts.
- Purchases orders that exceed the line-item appropriation are processed by verbal management instruction or based upon past practice.
- Purchase orders are frequently adjusted months later for additional items.
- The original purchase order is not sent to the vendor.
- Purchase orders are stamped by the Assistant Clerk with the fiscal officer's signature on the original copy only and purchase orders are frequently not dated.
- The Village does not post encumbrances to the appropriation ledger.
- The dates of contracts and contract provisions are not available with voucher packets and no ordinance number or resolution number is included with the voucher packet.
- Blanket and super blanket purchase orders do not follow statutory requirements.
- Outdated blanket purchase orders are not closed.
- The Village does not maintain an up-to-date master list of contracts nor does the Village maintain the original signed contracts in the Clerk-Treasurer's Office.
- The Village Clerk-Treasurer and Village Administrator do not attend bid openings; no minutes of the bid opening meetings exist.
- The Village does not have a comprehensive purchasing policy and procedures manual.



# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Cash Disbursements

#### Description of an Effective Method for Accounts Payable and Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Village. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A warrant should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the Village Clerk-Treasurer and that there is adequate cash in the fund to pay the obligation. All warrants should be signed by the Village Clerk-Treasurer and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

**Statutory Requirements** - State law places the following requirements on the disbursement of funds:

**Warrants** - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund which it is drawn upon.

**Restrictions** - Money is drawn from the Village treasury only for appropriation enacted by the Village council. Appropriation from each fund may be used only for the purposes of such fund.

**No Certification** - If no certificate is furnished as required, upon receipt by the Village of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Village may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

**Administrative Code Requirements** - Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Cash Disbursements

(Continued)

#### Methods Used by the Village

Processing of invoices for payment is done semi-monthly. Invoices are paid thirty to forty-five days after the invoice date. When invoices are ready for payment, the Assistant Clerk checks with the Clerk-Treasurer who determines which invoices to pay based on treasury balance, date of invoice, and critical need to pay the vendor.

Invoices are matched to the purchase order and requisition as they are received and placed in an alphabetic "to be paid" file. The shipping document is attached to the invoice when one is available. Verbal verification that the goods or services have been received is obtained when written documentation is not available.

Invoices are checked in total against the purchase order. When an invoice amount exceeds the amount of a purchase order, the amount is questioned and referred to the originator of the purchase. Invoices are paid which exceed the amount of the purchase order if verbally authorized by the receiving department head.

Checks are manually written, stamped with the Clerk-Treasurer signature, then mailed with the remittance information to the vendors. After checks are written, the information is posted to the Cash Journal and Appropriation Ledgers. The check number, amount, date, payee, and fund distribution are posted to the Cash Journal. The date, payee, purpose, check number, and distribution amounts are posted to the Appropriation Ledger.

Payment packets are maintained in check number sequence by month in the Clerk-Treasurer's Office. Packets include the invoice, purchase order, requisition, and any other relevant paperwork. Some packets were observed using a blank envelope in lieu of a voucher indicating the fund and amount.

At the end of the month, the Appropriation Ledger monthly amounts are totaled, the previous year-to-date amount is brought forward, and a new year-to-date amount is obtained. The monthly amounts are totaled by fund and reconciled to the amounts in the Cash Journal.

#### Auditor of State Comments

- Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation.
- Disbursements are made for expenditures without the fiscal officer certification.
- The dates of contracts and contract provisions are not available with payment packets.

## Village of Wellsville - Columbiana County

### Report on Accounting Methods

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#### Cash Disbursements

(Continued)

- A significant number of disbursements are made utilizing a Then and Now Certificate.
- Invoices are not recomputed as they are processed for payment, and are routinely paid without proper authorization and acknowledgment of receipt of the goods or services.
- Invoices are processed for payment that exceed the purchase order without proper authorization and are processed after the payment terms and discount periods have elapsed.
- A voucher which reflects the purchase order number, the fund and account, invoice numbers, invoice and/or service date (utility bills) is not used.
- Check numbers are not indicated on the invoice; invoices not stamped paid with date paid; the fund and account line item information is not shown on the check.
- The Village does not maintain a list of all personal service contracts.
- There are no written policies and procedures for the disbursement of Village funds.
- The use of the Clerk-Treasurer's signature stamp is not controlled.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Payroll Processing

#### Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the Village should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by Federal and/or State laws.

**Statutory Requirements** - The following State statutes apply:

Section 705.13, Revised Code, requires the legislative authority of a municipal corporation to, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members thereof, there shall be deducted a sum equal to two percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.13, Revised Code, requires the legislative authority of a Village to fix the compensation and bonds of all officers, clerks, and employees of the Village except as otherwise provided by law. The legislative authority must, in the case of elective officers, fix their compensation for the ensuing term of office at a meeting held not later than five days prior to the last day fixed by law for filing as a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

#### **Methods Used by the Village**

The Village of Wellsville pays its employees twice a month, on the fifth and twentieth of the month. The pay periods end on the fifteenth and the last day of the month for all full and part-time employees. Council members and the Dog Catcher are paid on the fifth of the month. The Village currently has 16 full-time employees and approximately 40 part-time employees.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Payroll Processing

(Continued)

All employees are paid in accordance with the Village's pay ordinances or union contracts. The Village has one expired union contract with Local #1869, A.F.S.C.M.E. Ohio Council 8, AFL-CIO. The expired contract was effective for the period of March 1, 1997 through February 28, 2001. The Village has continued to abide by the terms of the expired contract.

All employees accrue sick and vacation leave, and certain employees receive personal days and other paid leave benefits. All employees are paid a portion of the accumulated sick, vacation, and personal leave upon retirement

The Village has deductions available for two credit unions, deferred compensation program, bonds, additional insurance coverage, union dues, garnishments, and buyback of pension time.

Individual personnel files are currently being jointly prepared by the Assistant Clerk and Income Tax Clerk. Completed and partially completed files are kept in the Income Tax Office. These files contain appointment letters, wage information, voluntary deductions, tax information, beneficiary, benefit package and dependent information.

The police and fire departments provide a payroll sheet which identifies the daily hours, the total hours for the pay period, the gross pay, and the amount to be charged to each account for each employee. The Assistant Clerk accepts the payroll calculations as prepared and approved by the Police and Fire Chiefs. Gross amounts are entered into a payroll summary sheet.

The cemetery and other departments submit a time sheet for each individual that includes hours worked and the fund and departments to be charged. Time sheets are turned over to the Assistant Clerk in the Clerk-Treasurer's Office for payroll processing and payment by the individual employees or department heads. All payroll processing and reporting is performed manually by the Assistant Clerk.

The Assistant Clerk completes a payroll summary sheet. This spreadsheet identifies the withholdings and computes the net pay for each employee. The spreadsheet also summarizes the payroll by fund and is used to post the payroll expenditures to the Cash Journal and Appropriations Ledger.

The paychecks are prepared manually, stamped with the Clerk-Treasurer's signature, and placed in sealed envelopes. Employees receive their pay checks from the Assistant Clerk. The paychecks are issued against the payroll clearance account. A deposit is made to the payroll account by issuing a check against the general account for the gross pay. Payroll deductions and taxes are paid from the payroll account.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Payroll Processing

(Continued)

Federal withholding payments are made two times per month on the pay date. A check is written to the bank, which then makes an electronic payment to the Internal Revenue Service. State and local withholding payments are mailed on approximately the tenth of the month. All other deductions for child support, garnishments, union dues, and health care are prepared and mailed a few days prior to the date payments are required for each deduction.

The Village's union employees use a sick leave request and usage form; however, supervisors do not sign the forms. The police and fire departments use leave forms and keep the forms in the departmental employee personnel file.

Leave accrual and usage for each employee is updated by pay period. The records are maintained by the Income Tax Clerk and kept in the Income Tax Office.

The payment of sick leave, in addition to personal and vacation leave, at retirement has been computed by the retiring employee.

The Assistant Clerk manually prepares all pension reports, monthly recaps, quarterly, and yearly reporting including W-2's.

### Auditor of State Comments

- Supervisors, department heads, or elected officials do not sign and approve employee time sheets, except in the police and fire departments.
- The Village has no means of authenticating that employees, other than the police and fire departments, actually worked the time indicated on the employee time sheets.
- The Village does not have individual personnel files for all employees containing necessary employment and payroll information in the Clerk-Treasurer's Office.
- The Village does not have leave accrual and usage policies established and in writing for appointed officials and appointed employees.
- The Village does not have or utilize leave request and usage forms, and does not require supervisors to approve leave in writing.
- Leave accrual and usage records for individual employees are not maintained in the Clerk-Treasurer's Office.
- The Village does not have written overtime usage and authorization policies and procedures.

## Village of Wellsville - Columbiana County

### Report on Accounting Methods

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#### Payroll Processing

(Continued)

- The Village does not have a policy to determine whether a position qualifies for employee status or personal service contract status in accordance with Internal Revenue Service rules and guidelines and State statutes.
- Management has instructed the Assistant Clerk not to recompute the gross payroll of the police and fire departments. The overpayments that occur are simply approved by Council.
- The Village Council has approved the payments of sick leave, vacation, and personal leave as computed by the employee at retirement rather than the amounts computed in accordance with the union contract and/or Council Ordinances.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

### Debt Administration

#### Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt should be passed by Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the lender, interest rate, and the source of revenue to be used for repayment.

Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing ordinance. Money to be used for debt payment may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

**Statutory Requirements** - General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. The statutory requirements vary depending on the nature of the debt being issued.

#### The Village's Debt

The Village monitors debt payments by line item in the accounting records. The Clerk-Treasurer monitors debt and lease payments using separate purchase orders completed at the beginning of the year for debt and lease payments.

The Village's debt is described below:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Date of Final Maturity</u>
OWDA Sewer Disposal System Update, 1980	9.72%	\$527,829	July 1, 2006
OWDA Sewer Disposal System Update, 1980	9.72	43,941	July 1, 2006
OWDA Sewer Disposal System Update, 1998	2.2.	862,911	July 1, 2018
OWDA Sewer Disposal System Update, 1999	2.20	64,234	July 1, 2018
OWDA Sewer Disposal System Update, 1999	2.20	124,488	July 1, 2005
OWDA Sewer Disposal System Update, 1998	N/A	10,000	July 1, 2010
OWDA Sewer Disposal System Update, 1998	N/A	14,800	July 1, 2010
OWDA Sewer Disposal System Update, 1980	5.89	20,529	July 1, 2011
USDA Sanitary Sewer Mortgage Revenue Revenue Bond, 1999	4.75	162,000	January 1, 2011
OPWC Russell Heights Sewer Improvement, 2001	0.00	125,459	July 1, 2002
Sky Bank Street Paving Loan, 1999	4.50	120,000	February, 28, 2002
Police Vehicle Lease Purchase, 1999	5.29	21,321	July 23, 2001
Fire Truck Lease Purchase, 1996	6.24	195,330	June 15, 2003
Police and Fire Pension Accrued Liability	N/A	160,564	May 15, 2035



# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Debt Administration

(Continued)

The revenues pledged for repayment and the fund from which the debt service payments are made are as follows:

<u>Issue</u>	<u>Pledge Revenues</u>	<u>Fund</u>
Owda Sewer Disposal System Update, 1980	Sewer Revenues	Sewer Fund
Owda Sewer Disposal System Update, 1980	Sewer Revenues	Sewer Fund
Owda Sewer Disposal System Update, 1998	Sewer Revenues	Sewer Update Fund
Owda Sewer Disposal System Update, 1999	Sewer Revenues	Sewer Update Fund
Owda Sewer Disposal System Update, 1999	Sewer Revenues	Sewer Update Fund
Owda Sewer Disposal System Update, 1998	Sewer Revenues	Sewer Update Fund
Owda Sewer Disposal System Update, 1998	Sewer Revenues	Sewer Update Fund
Owda Sewer Disposal System Update, 1980	Sewer Revenues	Sewer Update Fund
USDA Sanitary Sewer Mortgage Revenue Revenue Bond, 1999	Sewer Revenues	Sewer Update Fund
Opwc Russell Heights Sewer Improvement, 2001	Sewer Revenues	Sewer Update Fund
Sky Bank Street Paving Loan, 1999	Permissive License Tax Revenues	Permissive Tax Fund
Police Vehicle Lease Purchase	Income Tax Revenues	General Fund
Fire Truck Lease Purchase	Property Tax Revenues	Fire Truck Levy Fund

### Auditor of State Comments

- The Village does not notify the County Auditor of the issuance of debt.
- The Village does not post debt principal and interest payments to separate accounts.
- The Village has not established the sanitary sewer system mortgage revenue bond and interest sinking fund.
- The Village has not been making deposits equal to one-twelfth of the total principal and interest for the next bond maturity date into the sanitary sewer system mortgage revenue bond and interest sinking fund.
- The Village does not maintain a listing of all debt payment due dates, with the amount of principal and interest due.
- The Village does no maintain a listing of all lease agreements.
- The Village does not report capital leases as part of the Village's outstanding debt.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Inventory of Fixed Assets

#### Description of an Effective Inventory of Fixed Assets

Fixed assets of the Village should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model number, location, and date of purchase should be maintained by the Village Clerk-Treasurer. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of an asset should be properly authorized and reported to the Village Clerk-Treasurer.

**Administrative Code Requirements** - Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all local public offices should maintain fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Fixed assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.”

#### Auditor of State Comments

- The Village does not maintain an inventory of fixed assets.
- The Village does not have policies and procedures established to account for and track fixed assets.
- The Village cannot determine the following:
  - a. An adequate amount of insurance coverage;
  - b. That assets are used in the most efficient manner;
  - c. Whether idle assets exist that could be sold to generate additional revenue;
  - d. Loss or theft of an asset; or,
  - e. Scheduled replacement of assets.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Cash Management and Investing

#### Description of an Effective Method of Cash Management

Cash received by the Village should be deposited in a central bank account. Monies for all funds, should be maintained in the account or temporarily used to purchase investments. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investment as authorized by State statutes. Investment transactions should be conducted in accordance with the policies adopted by the Clerk-Treasurer or Village Council. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

A reconciliation between the bank and cash journal should be completed for all accounts on a monthly basis. The reconciliation should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed.

**Statutory Requirements:** Section 135.14(O)(1), Revised Code, states, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the treasurer or governing board. The policy shall require that all entities conducting investment business with the treasurer or governing board shall sign the investment policy of that subdivision.

Section 135.14(O)(2), Revised Code, states, “if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision's interim moneys only in interim deposits pursuant to division (B)(3) of this section, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision's fund pursuant to division (B)(6) of this section.”

Section 135.14(O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

Section 135.22, Revised Code, requires the Village Clerk-Treasurer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State.

Section 733.27, Revised Code, requires that the Village Clerk-Treasurer attend annual training programs of continuing education for Village Clerks provided by the Auditor of State.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Methods Used by the Village

The Village has multiple bank accounts. The Village reconciles all of the bank accounts to the Village's fund balances on a monthly basis, except for the Mayor's Court account, after month-end processes are completed. The various bank statements and reconciling documents are maintained by month, within the Clerk-Treasurer's Office. The bank accounts used by the Village are as follows:

Sky Bank General Fund Account:	The main deposit account for the general receipts and payment of general expenses for all funds for which a separate bank account has not been established. The account is tied to a repurchase (investment indexed sweep) account for daily interest earnings.
Sky Bank Community Development Program Account:	Separate interest-bearing account for the Community Development Program.
Sky Bank Cemetery Endowment Fund Account:	An interest-bearing savings account for cemetery trust fund principal. Interest is transferred to the cemetery trust fund for use in complying with the endowments.
Payroll Account:	An account for the disbursement of payroll, payroll deductions, and payroll taxes. Money is transferred from the Village's general bank account to this account.
Sky Bank Mayor's Court:	A non-interest bearing account used by the Mayor's Court.

### Auditor of State Comments

- The Village does not maintain a running balance in the manual cash journal and check register.
- The Village does not include the amount of change funds maintained within Village offices on the monthly reconciliations.
- The Village does not have written policies and procedures for the use of change funds, designating specific amounts by department or office.
- The Village does not record the interest earned from the Cemetery Endowment Account from the principal of the Cemetery Endowment Fund monthly (a non-expendable trust fund) into the Cemetery Trust Fund (an expendable trust fund).

## Village of Wellsville - Columbiana County

### Report on Accounting Methods

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#### Cash Management and Investing

(Continued)

- The Village has not established a written investment policy or filed it with the Auditor of State in accordance with Ohio Revised Code Sections 135.14(O)(1).
- The Village Clerk-Treasurer has not attended the statutorily required annual training program provided by the Auditor of State.
- The Village Clerk-Treasurer has not attended the statutorily required annual training program provided by the Treasurer of State and required by Ohio Revised Code Section 135.22.
- The Mayor's Court does not have an open items list, does not reconcile the Mayor's Court bank account to the Mayor's Court cashbook, and does not maintain a running balance in the manual check register or cash book.
- The Mayor's Court does not reconcile the receipts and disbursements from the cashbook to the court docket.
- The Mayor's Court does not consistently prepare the monthly reparations rotary report correctly and does not retain a file copy of the monthly reparations rotary report submitted to the Treasurer of State.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

The Village Clerk-Treasurer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Village. In addition, information concerning the estimated and actual receipts, appropriation and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Village Clerk-Treasurer should prepare and publish combined and combining fund type financial statements, a comparison of budgeted versus actual information, a summary of debt activity for the year, and the outstanding principal balance on all debt obligations.

**Statutory Requirements:** Section 117.38, Revised Code, requires that the annual financial report be filed with the Auditor of State within sixty days after the close of the fiscal year for reports prepared on the cash basis of accounting. At the time that the report is filed, a notice should be published in the local newspaper that the report is completed and available at the office of the fiscal officer.

**Administrative Code Requirements:** Ohio Administrative Code Section 117-02-03(A)(2) requires that local public offices shall file their annual financial report either in paper form or electronically in a manner and format prescribed by the Auditor of State. Ohio Administrative Code Section 117-02-03(D) requires the reports to be filed on the forms provided by the Auditor of State.

#### Methods Used by the Village

The Village prepares its annual financial report on the cash basis of accounting. The report provides for the classification of funds by fund type, and includes combined and combining fund type statements. In addition, the report provides budgetary data at the fund type level, a summary of debt activity for the year, and the outstanding principal balance on debt obligations.

The Village Clerk-Treasurer provides Council members with a monthly fund balance report that includes beginning and ending balances, receipts and expenditures for the month.

#### Auditor of State Comments

- The Village annual financial reports for 1999 and 2000 were not prepared in the format prescribed by the Auditor of State. The financial reports excluded the following:
  - a. The appropriate level of detail for proprietary funds;
  - b. All debt issues of the Village and correct balances; and
  - c. Fund names that are in agreement with the Village's accounting ledgers.

## Village of Wellsville - Columbiana County

### Report on Accounting Methods

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#### Financial Reporting

(Continued)

- The Village annual financial report for 2000 was not filed with the Auditor of State.
- The Mayor and Village department heads do not receive financial data on a regular, recurring basis.
- Department heads do not review financial reports.
- The Village Clerk-Treasurer does not provide Village Council with a reconciliation of the bank accounts to the fund balances on a monthly basis.
- Village Council is not provided reports comparing budgeted and actual information on a monthly or annual basis.
- Village Council has not defined monthly reports that members are to receive.
- The Village does not have a written list of reports to be prepared and distributed.

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Recording Official Proceedings

#### Description of an Effective Method of Recording Official Proceedings

The Village Council's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of a bylaw, ordinance or resolution, the yeas and nays should be entered into the minutes and the bylaw, ordinance or resolution should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

#### Statutory Requirements

Sections 731.20 through 731.24, Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Village Clerk-Treasurer and kept open for public inspection for ten days. Each bylaw, resolution, and ordinance is required to be adopted or passed by separate vote of the Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks.

#### Auditor of State Comments

- The Village does not maintain an index of ordinances and resolutions.
- The Village Council's minutes do not reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions.
- Council minutes are not always signed by the Council President and the Clerk of Council timely and placed in the minutes book.
- Copies of reports, handouts, and packets provided to Council are not referenced in, or incorporated as an attachment to, the minutes.
- Minutes do not reflect discussions of each report, document, or handout provided or discussed.
- Ordinances are not prepared according to Ohio Revised Code Sections 731.18 through 731.20.



## Village of Wellsville - Columbiana County

### Report on Accounting Methods

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#### Recording Official Proceedings

(Continued)

- Resolutions and ordinances are not maintained in the Village's Resolution and Ordinance Book.
- The Village does not have minutes or documentation for bid openings.
- The Village does not have written procedures for bid openings and the process of opening, reviewing and making a determination of bid acceptance.
- The Village has not established a records commission required by Ohio Revised Code Section 149.39

# Village of Wellsville - Columbiana County

## Report on Accounting Methods

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### Conclusion

The methods as described by the Village and included in this report are based on our inquiries and discussions with Village personnel and the related procedures documented in State statutes and Chapter 117 of the Ohio Administrative Code.

It is our opinion and as is detailed throughout this report, that the current accounting system of the Village of Wellsville is inadequate to fulfill the financial reporting needs of the Village. In addition, the current accounting system is not in compliance with Section 117 of the Ohio Revised Code and the requirements of the Auditor of State as noted in this report.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF WELLSVILLE**

**COLUMBIANA 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 23, 2002**