



Mary Taylor, CPA  
Auditor of State

**Village of Woodstock  
Champaign County, Ohio**

**Report on Accounting Methods**

**Local Government Services**



Mary Taylor, CPA  
Auditor of State

**CERTIFICATION**

In compliance with the requirements set forth in section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Woodstock was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The control deficiencies and instances of non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the Village of Woodstock; Jackie Hayes, Mayor of the Village of Woodstock; and Patricia MacDowell, President Pro-Tempore of Village Council.

*Mary Taylor*

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October 9, 2008

**Village of Woodstock - Champaign County**

**Report on Accounting Methods**

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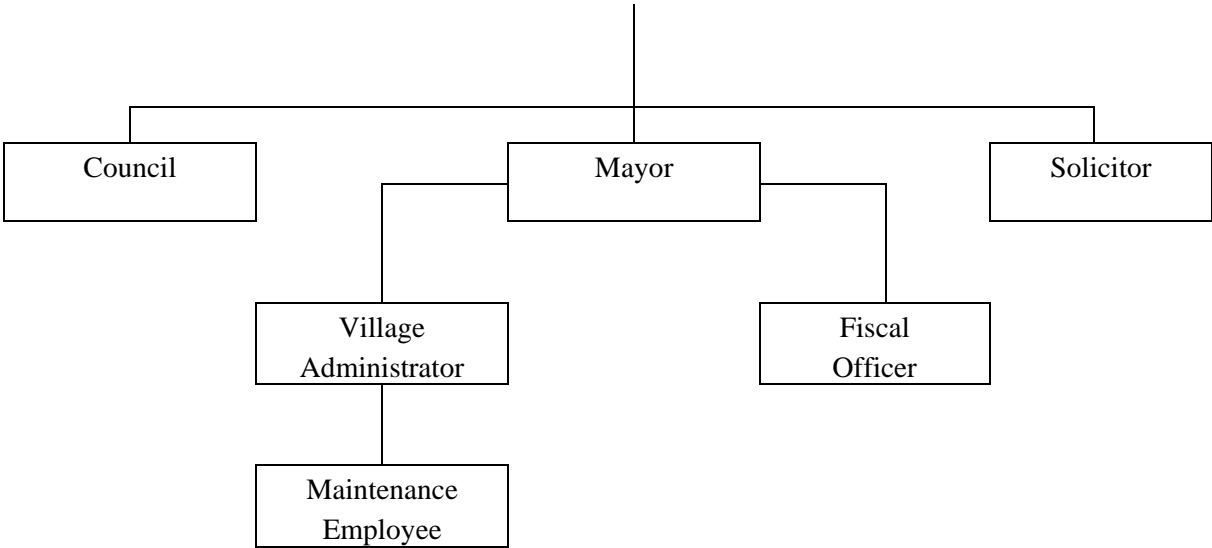
#### Purpose

As required by section 118.10(A) of the Ohio 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 and 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 Woodstock. 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.

# Village of Woodstock Organizational Chart



## Village of Woodstock - Champaign County

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#### Governance Overview

The Village of Woodstock (the Village) is located in central Ohio in Champaign County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Woodstock must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor.

The Village 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 Village Council elects a President Pro Tempore to preside over Village Council meetings in the Mayor's absence. The Village 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 Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie.

Because the Village has chosen to exercise Section 733.262 of the Revised Code, the Village Council appoints a Fiscal Officer who also serves as Clerk for the Village Council. The Fiscal Officer attends all Village Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. In addition, the Fiscal Officer keeps accurate statements of all monies received and expended by the Village, keeps records of all property owned by the Village, and of all taxes and assessments. The Fiscal Officer performs the accounting procedures for the Village necessary to comply with the administrative rules adopted by the Auditor of State.

Village Council contracts with an attorney to handle any legal matters for the Village. The Village Solicitor is the chief legal officer of the Village.

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, street lighting, maintenance of the Village park, and wastewater treatment. The Village does not have its own wastewater treatment plant but contracts with the Village of North Lewisburg for wastewater treatment. The Village does however establish its own sewer rates.

On July 20, 2006, the Village was declared to be in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Revised Code section 118.05. Commission membership is as follows:

1. The Director of the Office of Budget and Management or a designee;
2. The Mayor of the Village or a designee;
3. The President Pro Tempore of Village Council or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters who are residents of the Village.

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#### Governance Overview

(continued)

The powers, duties, and functions of the Commission may include:

1. Review all tax budgets, tax levy ordinances, bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the Village;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the Village;
4. Review, revise, and approve determinations and certifications affecting the Village made by the County Budget Commission or the County Auditor;
5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems, and financial procedures and reports into compliance with rules established by the Auditor of State;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and the President of the Senate on the progress of the Village.

This Commission is required to adopt a financial recovery plan for the Village within one hundred twenty days of its first meeting. The recovery plan was submitted to the Commission on January 17, 2007. By State statute, the Village must operate within the provisions of the recovery plan.

The Commission will continue in existence until the Auditor of State, or the Commission itself, determines that:

1. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The Village Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse".

Once these requirements are satisfied and certified to the Commission, the Governor, the Director of the Office of Budget and Management, and the County Budget Commission; the Commission will be terminated.

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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 the amount and type of financial resources that will be raised and how those financial resources will be spent. Annually, a budget consisting of estimated receipts and disbursements for each fund for the next year should be presented to the governing body with sufficient time for review and public input. The budget should identify the major sources of receipts and the programs, activities, and major objects of disbursements. The budget should encompass current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the legislative authority, should be the basis for the appropriation measure. The appropriation measure should identify, by fund, department/activity, and object the amount of resources authorized to be expended for the various governmental functions and programs. The amount appropriated for each fund should not exceed the estimated resources available in that fund for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized receipts and balances available for disbursement.

##### **Statutory Requirements**

The budgetary process for the Village is prescribed in Chapter 5705 of the 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.

Tax Budget - The Mayor prepares an annual tax budget of the estimated receipts and disbursements for all funds of the Village for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the 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 Champaign County Budget Commission by July 20 of each year.

The County 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. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Village Council's consideration. Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission. On or about October 1, Village Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

The County Budget Commission may, by an affirmative vote of a majority of the Budget Commission, waive the requirement that Village Council adopt a tax budget as provided under section 5705.28 of the Revised Code, but shall require the Village Council to provide such information to the Budget Commission as may be required by the Budget Commission to perform its duties under Chapter 5705 of the Revised Code, including the allocation of inside millage to each subdivision or taxing unit.



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#### **Budgetary System**

(continued)

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 Fiscal Officer certifies the actual year end balances for all funds to the Budget Commission. Upon receipt of the information, the Budget Commission issues an amended official certificate of estimated resources that includes the unencumbered fund balances as of December 31. Further amendments may be made during the year if the Fiscal Officer determines that the revenue to be collected by the Village will be greater than or less than the amount included in the amended official certificate of estimated resources.

Appropriation Ordinance - Section 5705.38 of the Revised Code requires that 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 must 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 appropriation or alter the levels adopted by Village Council must be approved by Village Council. The Village may pass supplemental appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

The Fiscal Officer of Village Council is required to certify a copy of each appropriation ordinance to the County Budget Commission. No appropriations are effective until the County Auditor provides a certificate indicating the appropriations, by fund, are within the estimated resources.

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

Annual Tax Ordinance - Section 705.17 of the Revised Code requires that an annual tax ordinance to determine the amount of the tax levy be prepared by the Mayor, under the direction of the Village Council. The section also requires the involvement of each office and department of the Village, comparative financial information for the previous year and the next year for each office, department, and division, a public hearing after at least one weeks notice, approval of the Village Council, and submission to the County Budget Commission which shall fix the total maximum tax levy permitted to the Village for the ensuing year.

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#### **Budgetary System**

(continued)

Section 705.18 of the Revised Code provides that an annual appropriation ordinance shall be prepared by the legislative authority of a municipal corporation from estimates submitted by the mayor, the chairman of the commission, or the city manager, as the case may be, in the manner provided in section 705.17 of the Revised Code for the annual tax ordinance. The annual appropriation ordinance shall be submitted to the legislative authority at its first meeting in January and the total of any appropriation ordinance passed by such legislative authority shall not exceed the total balances carried over from the previous year plus the estimated receipts of the current year.

Section 705.19 of the Revised Code provides that no money shall be drawn from the treasury of a municipal corporation, except in pursuance of appropriations made by the legislative authority, and whenever an appropriation is so made, the Fiscal Officer shall forthwith give notice to the Auditor and the Treasurer. Appropriations may be made in furtherance of improvements or other objects or work of the municipal corporation which will not be completed within the current year. At the end of each year, all unexpended balances of appropriations shall revert to the respective funds from which they were appropriated and shall then be subject to future 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 authority 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 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 tax budget is prepared by the Fiscal Officer and is based on prior year receipts and disbursements, giving consideration to non-recurring activities. There is generally no input from Village officials or employees in the budget preparation process. There is no formal process for determining major capital disbursements for the upcoming year. The tax budget for 2007 was approved by Village Council on July 10, 2006, and submitted to the County Budget Commission. The Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the Village. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Village Council's consideration. The Village Council accepted the amounts and rates as determined by the Budget Commission on September 11, 2006.

**Village of Woodstock - Champaign County**

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**Budgetary System**

(continued)

The Fiscal Officer prepares the permanent appropriation ordinance for all funds for the upcoming year based on the tax budget and other known factors. Appropriations are established at the fund, program, activity, and object level of disbursements. Once approved, a certified copy of the appropriation ordinance is submitted to the Budget Commission and appropriations are recorded to the accounting system. The Budget Commission verifies that appropriations, by fund, do not exceed estimated resources and returns a certificate indicating that total appropriations from each fund do not exceed the estimated resources.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Chart of Fund and Account Codes

##### Description of an 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 disbursement codes should allow the transactions to be summarized by major revenue source or disbursement program. Major object codes for disbursements should be used consistently throughout the various program/activity codes.

The Village should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established.

##### Statutory Requirements

The creation of funds is authorized by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code allows for the creation of a reserve balance for budget stabilization, for the payment of claims under a self-insurance program, and for the payment of claims under a retrospective workers' compensation plan. This section also allows for a special revenue fund to accumulate resources for the payment of sick and vacation leave. Additionally, it allows for creation of capital projects funds to accumulate resources for up to ten years for the acquisition, construction, or improvement of capital assets. Funds may also be established under section 5705.12 of the Revised Code with the written approval of the Auditor of State.

##### Methods Used by the Village

The Village is using the State software known as the Uniform Accounting Network (UAN). This system utilizes a numeric account coding system as outlined in the Village Officers' Handbook.

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#### Accounting Journals and Ledgers

##### Description of Effective Accounting Journals and Ledgers

The accounting journals and ledgers of the Village should provide ongoing and timely information on estimated and actual receipts, disbursements, and encumbrances compared to appropriation authority and available cash balances for each fund. The information captured for each transaction should allow the transaction to be traced throughout the journals and 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 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 117-02-02(C)(1) of the Ohio Administrative Code requires that all local public offices 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 receipts and remaining uncommitted balances of appropriations.

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 the 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 Fiscal Officer'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 to date totals and year to date totals are to be recorded.

Receipts Ledger - The receipts ledger is used to summarize receipts by fund and account. In addition, the estimated receipts and uncollected balance is presented for each source of revenue. Estimated receipts are recorded from the detail and/or supplemental information used in the preparation of the tax budget and is 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 to date totals and year to date totals are to be recorded.

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#### Accounting Journals and Ledgers

(continued)

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

#### Methods Used by the Village

The Village recently converted from another computer system to the Uniform Accounting Network (UAN). The system provides for all of the requirements of the administrative code.

The Fiscal Officer prints various reports at month end which reflect the monthly activity. At any time, the Fiscal Officer is able to print reports for any month. Up to five years of prior information can be maintained on the UAN system.

## Village of Woodstock - Champaign County

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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 in accordance with State statute. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The receipt should identify the name of the entity and reflect the date received, the payer, the amount, the purpose or nature of the receipt, the 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 payer. Departmental receipts should be summarized and remitted to the finance department daily. The finance department should issue pay-in-orders to those departments depositing daily collections to the finance department and for any payments received from the public. The pay-in-order forms should be a multi-part, pre-numbered form that reflects the name of the entity, the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature or name of the person preparing the pay-in-order. Supporting documents should be attached to a copy of the pay-in-order. All receipts or pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, depositing of monies, posting of receipts, and reconciliation of bank accounts.

##### Statutory Requirements

Section 9.38 of the Revised Code provides that a person who is a public official, employee, or agent shall deposit all public monies 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 monies received exceeds one thousand dollars. If the total amount of the public monies so received does not exceed one thousand dollars, the person shall deposit the monies 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 monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies 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.

Section 733.40 of the Revised Code requires all fines, forfeitures, and costs in ordinance cases, and all fees that are collected by the Mayor that in any manner come into the Mayor's hands, or that are due the Mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all monies received by the Mayor for the use of the municipal corporation shall be paid by the Mayor into the treasury of the municipal corporation on the first Monday of each month. At the first regular meeting of the legislative authority each month, the Mayor shall submit a full statement of all monies received, from whom and for what purposes they were received, and when they were paid into the treasury.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Receipt Transactions

(continued)

#### 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 transaction to be recorded in the receipts ledger.

#### Methods Used by the Village

Summary of General Receipts - All receipts are processed by the Fiscal Officer. Receipts from local sources are received from walk-in customers at the municipal building, in the mail in the form of checks, and by direct deposit. Receipts from the County and the State are deposited directly into the Village's checking account. Miscellaneous receipts consist mostly of donations and rent. Interest earned is posted at the end of each month.

The Fiscal Officer prepares a multi-part deposit slip listing each general receipt, with the exception of direct deposits. All receipts and the deposit slip are kept in a locked filing cabinet until taken to the bank. The Village Administrator, Fiscal Officer, and Maintenance Employee are the only individuals who have access to the filing cabinet. Deposits are not made timely.

The Fiscal Officer enters the receipts into the UAN system. A duplicate copy of the deposit slip along with supporting documentation and a standard receipt printed from the UAN software is filed in a file folder by month.

For direct deposits, the Fiscal Officer reviews the bank account online throughout the month and enters the receipt into the UAN system. There is sufficient information provided online for the Fiscal Officer to determine the appropriate fund and receipt code to record the receipt.

At the end of each month, a receipt register is printed from the UAN software. The receipt register and the deposit slips are used by the Fiscal Officer during the bank reconciliation process at the end of the month.

All employees who receive cash are bonded.

Summary of Utility Receipts - The Village provides sewer services to its residents. Every property receives a bill whether there is a dwelling or not. Property with a dwelling is charged \$62 per month, property without a dwelling is charged \$35.50 per month. The Fiscal Officer records the sewer billing and payment activity using the Quickbooks software program.

The Fiscal Officer prints a Customer Contact List report, which is an aging summary report of past due balances, before the new charges and late fees are entered. At that time, the Fiscal Officer determines who should be assessed the late fee. Current month charges and late fees are manually entered into the billing software by the Fiscal Officer. Invoice statements are then printed to be mailed to the customers.



## Village of Woodstock - Champaign County

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#### Receipt Transactions

(continued)

Utility bills are sent to customers on the 25<sup>th</sup> of the month. If payment is not received by the 10<sup>th</sup> of the following month, a ten percent late fee is assessed. Unpaid delinquent accounts are submitted to the County Auditor twice a year, generally in May and November. These amounts will be collected as special assessments on the customer's property tax bill. The delinquent amount that has been certified will continue to appear on the customer's monthly bill; however, a note is printed on the bill to inform the customer of the amount that has been certified to the County Auditor. When a customer pays their bill, the Fiscal Officer reviews their account to determine if there are any amounts that have been certified to the County Auditor. If the customer attempts to pay an amount that has already been certified, the Fiscal Officer returns the payment to the customer with a letter indicating the amount that is to be paid to the County Auditor and the amount that is to be resubmitted to the Village.

Individuals can pay their bill by mail or by locked drop box at the municipal building. Payments are received in the form of checks, money orders, and occasionally cash. The Village has a separate post office box specifically for utility payments. All utility payments are received by the Fiscal Officer. All payments are kept in their original sealed envelopes in a locked filing cabinet until the Fiscal Officer records the payments in the utility software. The Village Administrator and Maintenance Employee also have access to the filing cabinet

To record utility payments, the Fiscal Officer first compares the account number, dollar amount, and invoice number with the customer's account in the Quickbooks program to verify the information matches. The billing stub is stamped paid and the check number and date are written on it. The method of payment, amount, and check number are entered into the customer's account in the computer. The stamped paid slip is put into an individual file folder maintained for each customer alphabetically.

After all payments are entered into the computer, the Fiscal Officer views a deposit summary report on the screen. The total of this report is compared to an adding machine tape of all payments. When they equal, two copies of the deposit summary report are printed. One copy is filed in a folder of all deposit summary reports by date. The other copy is used to post the total of the utility collections for that day to the UAN system. A UAN system generated receipt is attached to the deposit summary report with the yellow copy of the bank deposit slip and placed in a monthly receipt folder. Deposits are made the same day the receipts are posted to the system.

Summary of Income Tax Receipts - The Village implemented an income tax effective July 1, 2006. All Village residents eighteen and older are required to file an annual income tax return due on April 30<sup>th</sup>. Residents and businesses are taxed at a rate of 1 percent of gross wages or earned income. The Village Council approved the tax rate by ordinance and all income tax revenue is to be recorded in the General Fund.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### **Receipt Transactions**

(continued)

Income tax withholdings, quarterly estimates, and payments filed with the return are sent to the Regional Income Tax Agency (RITA), who administers the income tax. Income tax receipts are deposited electronically by RITA twice a month into the Village's checking account. The amount deposited is net of RITA's administration fee. This fee is based on the amount of taxes collected, approximately three percent of collections. The Village receives a report from RITA within a couple of days after the deposit reflecting the amount of income taxes collected less the collection fee. The Fiscal Officer records the gross amount of income taxes collected in the accounting system as revenue and records the collection fee and refunds as an expenditure.

To ensure that RITA is collecting for all taxpayers, the Fiscal Officer sends to RITA the names all new Village residents. This is determined when the residents open their utility account.

#### **Auditor of State Comments**

- The Fiscal Officer keeps receipts in a locked filing cabinet that is accessible to the Village Administrator and the Maintenance Employee. Access should be limited to the Fiscal Officer and the Mayor.
- The Fiscal Officer keeps unopened utility payments in a locked filing cabinet until they are recorded and deposited. Envelopes should be opened immediately and deposited in a timely manner.
- Deposits are not made timely. Section 9.38 of the Revised Code requires the deposit of all public monies the next business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

## Village of Woodstock - Champaign 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 a justification 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 disbursement of monies 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 year, the amount required to meet the obligation in the 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.

Blanket Certification of the Availability of Funds - The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that does not extend beyond year end in an amount established by resolution of the Village Council. A general certification of this type 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. An itemized statement of obligations incurred and disbursements made under such certificate shall be rendered to the auditor or other chief Fiscal Officer before another such certificate may be issued, and not more than one such certificate per appropriation line item shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds - The super blanket certification permits the Fiscal Officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the 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 disbursements made under each certification must be maintained and provided by the Fiscal Officer.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

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, utilities, and any purchase exempt from competitive bidding under Revised Code section 125.04, and any other specific disbursement that is a recurring and reasonably predictable operating expense.

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 contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the Village Council has thirty days from the 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.

Authority to Contract - Contracts are made by the Village Council and executed in the name of the Village by the Mayor, except as otherwise specified by State statute.

Bidding - All contracts calling for disbursements in excess of \$25,000 shall be in writing and made to the lowest and best bidder. Revised Code section 731.14 requires that bids be opened and publicly read by the Fiscal Officer at the time, date, and place specified in the advertisement for bids. Village Council must authorize and direct all such disbursements. Exceptions to the bidding requirements include contracts for:

1. Personal services of a specialized nature;
2. Goods and services when only one source is available;
3. 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;
4. 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;
5. Purchases from other political subdivisions and agencies; and,
6. Goods purchased under the State Cooperative Purchasing Program.

Findings for Recovery Database - Effective January 1, 2004, State statute (Revised Code section 9.24) prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to a person against whom a finding for recovery has been issued by the Auditor of State on or after January 1, 2001, if the finding for recovery is unresolved.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

Per Auditor of State Bulletin 2004-006, a contract for purposes of section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made off the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

Section 9.24 (G)(1)(a) of the Revised Code states that the only contracts subject to the provisions of the statute are those contracts in which the cost of goods, services, or construction exceeds \$25,000. Section 9.24 (G)(1)(b) of the Revised Code provides an exception to this rule and applies the statute to a contract awarded to any person who, in the previous year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

Delinquent Personal Property Taxes - Section 5719.042 of the Revised Code provides that after the award by a taxing district of any contract let by competitive bid, and prior to the time the contract is entered into, the person making a bid shall submit to the Fiscal Officer a statement affirmed under oath that the person with whom the contract is to be made was not charged, at the time the bid was submitted, with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory, or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the Fiscal Officer to the County Treasurer within thirty days of the date it is submitted.

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

#### 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”.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

#### Methods Used by the Village

The Fiscal Officer is contacted for prior approval when a major item or non-recurring item needs to be purchased. Purchases are generally initiated by the Village Administrator or the Maintenance Employee as directed by the Village Administrator. These purchases are generally related to the sewer, street, or lands/buildings departments. Other items, such as office related supplies, are ordered by the Fiscal Officer. When one of the employees determines that a purchase needs to be made, the order is placed by the employee for the goods or services without completing any type of purchase order request form; however, the Fiscal Officer is notified and gives a verbal approval for the purchase after checking availability of funds. Items such as gas, stamps, and other small recurring purchases are not preapproved.

The Fiscal Officer maintains a petty cash fund for small incidental purchases. The petty cash fund is kept in a locked filing cabinet and is accessible to the Village Administrator and Maintenance Employee. The Fiscal Officer balances the petty cash account once a week. When the account needs to be replenished, the Fiscal Officer writes a check and records the expenditure in the appropriate accounts based on the documentation left in the petty cash drawer.

The Fiscal Officer uses both blanket and regular purchase orders; however, then and now purchase orders are also used when the purchase is certified at the time of payment. Purchase orders include the purchase order number, vendor name and address, a description of the items, amount per unit, total quantity requested, account code, Fiscal Officer's certification, and Village Council approval.

The Fiscal Officer generates the purchase order in the computer system and prints two copies. One copy of the purchase order is placed in a three ring binder by purchase order number and kept in the Fiscal Officer's office. The other copy is attached to the invoice, along with a copy of the check, and is filed by month in check number order. The purchase order, invoice, and copy of the check are presented to the Village Council for review at the monthly Council meeting.

The Village maintains three credit cards (Marathon, Home Depot, and Walmart) as well as a debit card. Purchase orders have been established for the credit cards and a purchase order is established prior to the use of the debit card for each purchase. Receipts for credit or debit card purchases are given to the Fiscal Officer. These are compared to the invoices received from the credit card companies and to the bank statement for the debit card. The credit and debit cards are kept in a locked filing cabinet in the Fiscal Officer's office and are accessible to the Village Administrator and Maintenance Employee. Village Council has approved a policy regarding credit and debit card use.

**Village of Woodstock - Champaign County**

**Report on Accounting Methods**

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**Purchasing Process**

(continued)

**Auditor of State Comments**

- A copy of the purchase order should be sent to every vendor, as requested.
- The Village does not require new vendors to submit information before a purchase order is completed. The Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.
- The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Cash Disbursements

##### Description of an Effective Method for 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), and a properly executed certification by the Fiscal Officer. All warrants should be signed by the Fiscal Officer and recorded in the cash journal and appropriations ledger. Vouchers should be filed numerically or by vendor.

##### Statutory Requirements

State law places the following requirements on the disbursement of funds:

Warrants - Disbursements 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 disbursement is made and the fund which it is drawn upon.

Restrictions - Monies are drawn from the Village treasury only for appropriations enacted by Village Council. Disbursements from each fund may be used only for the purposes of such fund and to the extent that cash exists in the fund.

Certification - If no certificate of the Fiscal Officer is furnished as required, upon receipt by the Village Council 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 Council 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 \$3,000, the Fiscal Officer may authorize it to be paid without such affirmation of the Village Council, 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, account code, amount, approval, and any other required information".



## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Cash Disbursements

(continued)

#### Methods Used by the Village

The Fiscal Officer receives all mail and reviews all invoices received. The Fiscal Officer has the Village Administrator or Maintenance Employee verify that what was received matches the invoice and packing slip and that the dollar amount quoted is accurate. Either the Village Administrator or Maintenance Employee will initial the accurate invoices. Invoices are then returned to the Fiscal Officer for payment. Copies of packing slips are maintained with the department ordering the items.

Bills are paid weekly. The Mayor's and Fiscal Officer's signature are required on all checks. The Fiscal Officer creates the checks in the UAN software assigning the appropriate purchase order number. All checks and supporting documentation are placed on the Mayor's desk for review that evening. The Mayor reviews the bills and signs the purchase order and the check. The Mayor leaves the folder with the signed checks on his desk and the next day the Fiscal Officer signs the checks, makes any necessary copies, and mails the checks. All checks with a copy of the purchase order and invoice attached are filed in check number order in the Fiscal Officer's office.

All unused checks are kept in the locked Fiscal Officer's office in a drawer. The Mayor, Fiscal Officer, Village Administrator, and Maintenance Employee have access to the Fiscal Officer's office.

The Fiscal Officer is the only individual that has access to the UAN software.

#### Auditor of State Comments

- Checks which are awaiting the Mayor's signature as well as unused checks are not properly secured. Unused checks must be maintained in a secure location with access limited to the Fiscal Officer. Checks awaiting the Mayor's signature must be maintained in a secure location with access limited to the Fiscal Officer and Mayor.

## Village of Woodstock - Champaign 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 state and federal 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 state and/or federal laws.

##### Statutory Requirements

The following State statutes apply:

Section 705.13 of the Revised Code requires the legislative authority of a municipal corporation to set, by ordinance, the salary of its members so that each 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 2 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 of the 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/her term of office.

##### Methods Used by the Village

Village Council approves all new employees. Village Council approves pay rates and raises.

When an employee is hired or an official is new, an IRS Form W-4, a State withholding form, and PERS forms are completed. The individual must also identify their school district of residence to determine if school district income tax withholdings are also required. These forms are maintained in each official/employee personnel file. These files are maintained in the Fiscal Officer's office, access is limited to the Fiscal Officer. Official/employee information is updated when changes in pay rate or deductions occur.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### **Payroll Processing**

(continued)

The Fiscal Officer and Village Administrator are both salaried employees and are paid monthly. The Maintenance Employee is paid hourly on a bi-weekly basis. The Mayor and Village Council are paid quarterly. Village Council's pay is based on the number of meetings they attend. The Solicitor and Zoning Officer are paid as services are rendered on a contractual basis.

The Maintenance Employee prepares a timesheet identifying the hours to be allocated to activities performed. The Village Administrator reviews the timesheet with the employee and then approves the timesheet. The Fiscal Officer determines the fund and account code to be charged based on activities performed.

No employees earn vacation leave, sick leave, or compensatory time. The Maintenance Employee works between 30 to 40 hours a week depending on need.

The Fiscal Officer enters the hours worked into the UAN payroll software. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. A batch report is run to determine that hours have been entered correctly and that the dollar amounts calculated are correct. If any changes are required, the system allows editing to occur anytime before the payroll is posted.

After the payroll is posted and the checks are printed, the Fiscal Officer leaves the checks on the Mayor's desk for signature. The Fiscal Officer signs the checks the following day. Paychecks are put in a sealed envelope and distributed to the employee in person. Council members and the Mayor receive their checks the night of the Council meeting. If they are not present at the meeting, the check is mailed.

All payroll taxes are calculated by the UAN software and are paid on a timely basis. Several reports can be printed from UAN that can be sent directly to the agency, such as OPERS and Employer's Quarterly Taxes (Form 941).

#### **Auditor of State Comments**

- Checks which are awaiting the Mayor's signature are not properly secured. These checks must be maintained in a secure location with access limited to the Fiscal Officer and Mayor.

Village of Woodstock - Champaign 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 must be passed by Village Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the interest rate, and the source of revenue to be used for repayment. Debt proceeds should be recorded in a separate fund and used only for the purpose specified in the authorizing ordinance. Monies to be used for debt payment may be receipted into 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.

Methods Used by the Village

The Village's debt is described below:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Date of Final Maturity</u>
<u>Loans Payable</u>				
OWDA Sewer Plant Expansion	1/01/99	4.12%	\$372,005	1/01/2019
OPWC Sewer Collection, Treatment, and Disposal	1/15/97	0.00	552,618	7/01/2020

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

<u>Debt Issue</u>	<u>Pledged Revenues</u>	<u>Fund</u>
<u>Loans Payable</u>		
OWDA Sewer Plant Expansion	Charges for Services	WPCLF Debt
OPWC Sewer Collection, Treatment, and Disposal	Charges for Services	OPWC Debt

The Village has not been delinquent on any principal and interest payments.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Inventory of Capital Assets

##### Description of an Effective Inventory of Capital Assets

Capital 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 Fiscal Officer. 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 Fiscal Officer.

##### Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code requires that all local public offices maintain capital 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. Capital 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 capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should adopt policies and procedure regarding capital assets. The Village should develop an inventory of all capital assets and update it annually.

## Village of Woodstock - Champaign 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 investments as authorized by State statute. Investment transactions should be conducted in accordance with the policies adopted by Village Council. Deposits of public monies should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocated 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 by the Fiscal Officer.

##### Statutory Requirements

Section 135.14(O)(1) of the 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) of the 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 monies 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) of the 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 of the Revised Code requires the Fiscal Officer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State.

Section 135.12 of the Revised Code requires that the designation period for depositories be five years.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### **Cash Management and Investing**

(continued)

In addition to the training required by Section 135.22 regarding investing, Section 733.27 of the Revised Code requires that the Fiscal Officer attend annual training programs of continuing education for village Fiscal Officers provided by the Auditor of State. This training encompasses a wide variety of topics.

#### **Federal Requirements**

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. In writing;
2. Executed by the financial institution and the depositor making the claim;
3. Approved by the board of directors or loan committee of the institution; and
4. An official record of the financial institution continuously from the time of its execution.

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

The Village has two types of accounts: checking and savings. The Village does not have any investments.

The Champaign Bank serves as the primary depository and receives all wire transfers and deposits. All checks are written against this account.

The Village receives all cancelled checks from Champaign Bank on a monthly basis. The Village can access its account through the internet. The Fiscal Officer reviews the bank activity through the internet.

The UAN software provides a reconciliation from bank to books which is currently being utilized by the Fiscal Officer. The reconciliation is printed upon completion and includes an outstanding checklist.

Interest is posted in the month it is received. Interest earned on the checking and savings accounts are recorded to the funds as required by the Ohio Constitution and State statute.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### **Financial Reporting**

##### **Description of an Effective Method of Financial Reporting**

At least monthly, the Fiscal Officer should provide Village Council with a report that identifies 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, appropriations, and disbursements plus encumbrances should be presented for Village Council's review. On an annual basis, the Fiscal Officer should prepare and publish 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 of the Revised Code requires that the annual financial report be filed with the Auditor of State within sixty days after the close of the year for reports prepared on the cash basis of accounting. At the time 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.

Section 733.45 of the Revised Code states, "The treasurer of a municipal corporation shall settle and account with the legislative authority, quarterly, and at any other time which it by resolution or ordinance requires. At the first regular meeting of such legislative authority in January, each year, the treasurer shall report to it the condition of the finances of the municipal corporation, the amount received, the sources of such receipts, the disbursements made, and on what account during the year preceding. Such account shall exhibit the balance due on each fund which has come into the treasurer's hands during the year".

##### **Administrative Code Requirements**

Ohio Administrative Code section 117-2-03(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 117-2-03(D) requires the reports to be filed on the forms provided by the Auditor of State.

**Financial Reporting Requirements** - On February 2, 2005, the American Institute of Certified Public Accounts (AICPA) issued an interpretation of one of its auditing standards (i.e., AU Section 623 Special Reports) that affects those governments that prepare financial statements using the cash or modified cash basis of accounting. According to the interpretation, the cash basis financial statements presentation must "look like" a generally accepted accounting principals (GAAP) presentation (i.e., GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, once it became effective); otherwise, the Auditor of State or contracted independent public accounting firm is required to issue an adverse opinion. For entities that are not legally required to prepare their financial statements in accordance with GAAP and elect not to present "look alike" statements (such entities in Ohio include libraries, townships, village, and special districts), the Auditor of State will render a second opinion at the same time it issues its adverse opinion. Therefore, local governments receive two opinions as part of their audit report if their financial statements do not look like GAAP statements (i.e., GASB Statement No. 34).



**Village of Woodstock - Champaign County**

**Report on Accounting Methods**

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**Financial Reporting**

(continued)

**Methods Used by the Village**

For 2006, the Fiscal Officer filed the Village's financial statements within sixty days as required by section 117.38 of the Revised Code and published a notice that the report was completed and available at the office of the Fiscal Officer

The Fiscal Officer provides to Village Council each month the following information: the cash summary by fund, revenue status report, appropriation status report, and the bank reconciliation. The cash summary by fund report details by fund the fund balance at the beginning of the year, total receipt activity for the month and year to date, total disbursement activity for the month and year to date, and the ending fund balance.

## Village of Woodstock - Champaign County

### Report on Accounting Methods

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#### Recording Official Proceedings

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

The Village Council minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale supporting Village 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 an ordinance, resolution, or bylaw, the yeas and nays should be entered into the minutes and the ordinance, resolution, or bylaw should be signed by the presiding officer and the Fiscal Officer. All Village Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

##### Statutory Requirements

Section 121.22 of the Revised Code requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The minutes need only reflect the general subject matter of discussion in executive sessions authorized under division (G) or (J) of this section. Further, the Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached.

Sections 731.20 through 731.25 of the Revised Code address the passage, style, number of subjects, authentication and recording, and publication requirements of Village Council 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 Fiscal Officer and kept open for public inspection for ten days. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of Village 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 Fiscal Officer. Ordinances and resolutions must be published in an English speaking newspaper once a week for two consecutive weeks. If no newspaper is published within the Village, copies of the ordinances and resolutions must be posted in no less than the five most public places in the Village for not less than fifteen days prior to the effective date of the ordinances or resolutions or by publication in any newspaper printed in the State and of general circulation in the Village.

Section 149.39 of the Revised Code creates in each municipal corporation, a records commission composed of the chief executive or his appointed representative, as chairman, and the chief fiscal officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary, who may or may not be a member of the commission, and who shall serve at the pleasure of the commission. The commission may employ an archivist to serve under its direction. The commission shall meet at least once every six months and upon call of the chairman. The functions of the commission shall be to provide rules for retention and disposal of records of the municipal corporation, to review applications for one-time records disposal, and schedules of records retention and disposition submitted by municipal offices.

**Village of Woodstock - Champaign County**

**Report on Accounting Methods**

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**Recording Official Proceedings**

(continued)

**Methods Used by the Village**

The Fiscal Officer takes notes during the Village Council meetings. From the notes, the minutes are prepared for each meeting. The minutes include who is in attendance, approval of prior meeting minutes, Fiscal Officer's report, Mayor's report, Village Administrator's report, a summary of topics discussed, a description of ordinances and/or resolutions and the votes thereon, and other upcoming events or concerns.

**Auditor of State Comments**

- The Village has not established a records commission as required by section 149.39 of the Revised Code.

**Village of Woodstock - Champaign 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 from the Village's ordinances, administrative rules, and the Revised Code. These methods, in some cases, vary from the actual methods used in performing the daily activities.

It is our opinion that the current methods of accounting and financial reporting of the Village of Woodstock are not completely in compliance with Chapter 117 of the Revised Code and the requirements of the Auditor of State as disclosed throughout this report.



**Mary Taylor, CPA**  
Auditor of State

VILLAGE OF WOODSTOCK

CHAMPAIGN 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  
OCTOBER 9, 2008