



Dave Yost • Auditor of State

Village of Wellsville
Columbiana County, Ohio

Report on Accounting Methods

Local Government Services Section

**Village of Wellsville, Columbiana County
Report on Accounting Methods**

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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 Wellsville 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 Quentin Potter, Chairman of the Financial Planning and Supervision Commission of the Village of Wellsville, Nancy Murray, Mayor and Vice Chairman of the Financial Planning and Supervision Commission of the Village of Wellsville, and Randy Allmon, President Pro Tempore of Council of the Village of Wellsville.

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

Dave Yost
Auditor of State

December 12, 2017

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Village of Wellsville – Columbiana County

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Purpose

As required by Section 118.10(A) of the Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, 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 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.

Village of Wellsville – Columbiana County

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Governance Overview

The Village of Wellsville (the “Village”) is located in Columbiana 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, Wellsville 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 the 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. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie. In accordance with sections 735.271 – 735.273 of the Revised Code, the Village has established the position of a Village Administrator who is appointed by the Mayor subject to Village Council’s approval. The Village Administrator is responsible for administering most operations of the Village including public utilities, streets, and other duties as set forth by ordinance of Village Council.

Because the Village has chosen to exercise Section 733.262 of the Revised Code, the Mayor, with Village Council approval, appoints a Fiscal Officer who also serves as Clerk for the Village Council. The Clerk 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 police, fire, street maintenance and repair, maintenance of state highways within the Village, park operations, and sewer operations.

On November 15, 2016, the Village was declared to be in a state of fiscal emergency by the Auditor of State in accordance with Revised Code Section 118.03(A)(5) and 118.03(B). A Financial Planning and Supervision Commission (the Commission) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The Director of the Office of Budget and Management or a designee;
2. The Mayor of the Village;
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; or principal place of professional or business activity is in the Village.

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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 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. By State statute, the Village must operate within the provisions of the recovery plan.

Section 118.27 of the Revised Code provides that the Commission will continue in existence until such time as a determination is made by the Auditor of State, or the Commission itself, one of the following:

1. The Village has dissolved under Sections 118.31, 703.20 or 703.201 of the Revised Code, or
2. Have done all of the following:
 - a. An effective financial accounting and reporting system is in the process of being implemented and is expected to be completed within two years;
 - b. All of the fiscal emergency conditions have been corrected or eliminated and no new emergency conditions have occurred;
 - c. The objectives of the financial recovery plan are being met; and,
 - d. The Village Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse."

Section 118.31 of the Revised Code provides the procedures for legal action to dissolve a municipal corporation. If a petition is approved by the financial planning and supervision commission, if any, the attorney general shall file a legal action in the court of common pleas on behalf of the State to dissolve a municipal corporation if the municipal corporation has less than five thousand residents as of the most recent federal census, the municipal corporation has been under fiscal emergency for at least four consecutive years, and the implementation of the financial plan cannot be reasonably expected to correct and eliminate all fiscal emergency conditions within five years. If the court of common pleas finds that all of these conditions apply, a receiver is appointed by the court to work with the officers of the municipal corporation to wind up the affairs of and dissolve the municipal corporation.

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, departments/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 balanced 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.

The Tax Budget: The Mayor should prepare 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, of which public notice shall be given by at least one publication not less than ten days prior to the date of hearing in the official publication of the Village, or in a newspaper having general circulation in the Village. 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 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.

As permitted by Section 5705.281, 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 allocating inside millage to each subdivision or taxing unit.

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

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Section 5705.36 of the Revised Code requires that on or about January 1, the Fiscal Officer certifies the actual year end balances along with total amount available from all sources 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 at 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.

Appropriations Ordinance: Section 5705.38 of the Revised Code requires that on or about January 1, the annual appropriation ordinance must be enacted by 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 appropriations or alter the levels adopted by Village Council must be approved by Village Council. The Village may pass supplemental 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.

The Clerk of Village Council is required to certify a copy of each appropriation ordinance to the County Budget Commission. As required by Section 5705.39 of the Revised Code, 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.

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

According to Ohio Administrative Code Section 117.2-02, 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 a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to 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.

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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. The tax budget for 2018 was approved by the Village Council on July 5, 2017, and filed with the County Auditor on July 6, 2017.

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. Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1. Village Council passed the Resolution Accepting Rates on September 7, 2016.

The Village submits a Certificate of the Total Amount from All Sources Available for Expenditures, and Balances to the County Auditor after year end closing. The Certificate identifies the actual year end fund balances for each fund of the Village. The County Auditor then returns to the Village an Amended Certificate of Estimated Resources. The Village submitted the 2016 year end fund balances to the County and received an amended certificate on January 23, 2017.

In September, work begins on appropriations for the following year. Appropriations are based on history, trends and other known factors, and are established at the fund and object (personal services and other) level of disbursements. Temporary appropriations must be approved through a resolution by Village Council by year-end. Permanent appropriations must be approved through a resolution by the first day of April. Once approved, the appropriation ordinance is submitted to the Budget Commission and appropriations are recorded into the accounting system. The Budget Commission verifies that appropriations, by fund, do not exceed estimated resources and, if so confirmed, returns a certificate indicating such. For 2016, the Village Council approved the permanent appropriation ordinance on April 5, 2016. The Village submitted the permanent appropriations to the County Auditor on April 6, 2016.

In recent years, appropriations have been insufficient in certain funds and expenditures exceeded the approved appropriations in those funds. Common purchasing practices in the Village have caused issues with more being spent than is appropriated for a given account. These practices include making purchases without notifying the Fiscal Officer or completing the process of obtaining a purchase order. In addition, appropriations and fund balances were not monitored throughout the year, leading to overspending and deficit cash balances in several funds.

Auditor of State Comments

- Pursuant to Section 5705.10, Revised Code, money paid into any fund of the Village shall be used only for the purposes for which such fund is established. During, 2015 and 2016 the Village had deficit cash balances in various funds. These funds included general, street construction maintenance and repair, state highway, cemetery, police salary levy, fire, and police operating levy funds. The Village should not use money from one fund to pay the obligations of another fund.
- Village Council adopts appropriations as needed, but amended certificates of estimated resources are requested periodically. Pursuant to Section 5705.39, Revised Code, appropriations should be limited to the estimated resources reflected on the amended certificate at the time of adoption. Prior to appropriating the additional or new resources, the Fiscal Officer should request an amended certificate from the County Budget Commission based on reasonable estimates and/or actual receipts.

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- Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Fiscal Officer should ensure that appropriations do not exceed the total estimated resources in any of the Village's funds.
- Pursuant to Section 5705.41 (B) Revised Code, the Village should not make any expenditure of money unless it has been appropriated. During 2016, the Village had expenditures plus encumbrances that exceeded the Council adopted appropriations in several funds. The Village should only spend and encumber money within the amount of adopted appropriations.
- The Fiscal Officer does not compare appropriations to estimated resources. The Fiscal Officer should document the comparison of appropriations to estimated resources. This comparison should be presented to Council upon request for supplemental appropriations demonstrating the effect of supplemental appropriations and compliance with budgetary requirements, if adopted.
- The legal level of control has been established by Council at the fund and object (personal services and other) level for all funds contrary to Ohio Revised Code Section 5705.38. 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.

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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 disbursement codes should allow the transactions to be summarized by major revenue sources 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.

Auditor of State Comments

- None.

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Accounting Journals and Ledgers

Description of Effective Accounting Journals and Ledgers

The accounting journals and 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 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(C)(1) of the Ohio Administrative Code requires that 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 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 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 checks drawn against the Village treasury and the fund to which the receipts and checks were recorded. Entries to the cash journal are posted sequentially by date from source documents, such as pay-in orders and checks. The related pay-in order or check 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.

Receipt Ledger – The receipt 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.

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 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 recorded.

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Methods Used by the Village

The Village utilizes the Uniform Accounting Network (UAN). All reports required by the administrative code are available through this software.

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

At council meetings, the Fiscal Officer provides a copy of the following reports to Village Council: Appropriation status report, Revenue status report and Fund status report; Administration Reports from the police department, fire department, village administration, zoning and sewer; Mayor's report; Committee reports from finance, streets, lights and parking, claims rules and ordinances, water, sewer and refuse, property, equipment and cemetery, and personnel; a Bank Reconciliation Report; an approval of invoices for payment report identifying the date, type of expenditure transaction, vendor, and amount.

The Village does not have a written disaster recovery plan identifying how the Village would restore operations, including information technology and accounting functions if the Village would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act).

Auditor of State Comments

- The Village does not have a written disaster recovery plan for the restoration of operations in the event of a serious incident. A disaster recovery plan should be adopted by Village Council. Included in this plan should be procedures regarding backup tapes, such as keeping them at a location separate from computers and servers.

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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 issued consecutively. 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. 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, Revised Code, provides that 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 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 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.

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, 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.

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 be recorded in the cash journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payor, purpose, receipt number, and other information required for the transaction to be recorded in the receipts ledger.

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Methods Used by the Village

Village Fiscal Officer's Office

The Village Fiscal Officer, Sewer, Police, Court Magistrate and Zoning are all departments within the Village that accept payments. Sewer, Police, Court Magistrate and Zoning all have processes in place to receive payments and to deposit and/or submit supporting documentation to the Fiscal Officer.

Wire transfers are received for property taxes, local government, gas tax, license tax, permissive tax, cents per gallon tax and municipal income taxes. The Fiscal Officer receipts these payments into the system before performing the reconciliation by viewing the bank statement for electronic deposits. The deposits list the reason for the deposit, which the Fiscal Officer uses to make a pay-in order and post the amounts into the proper account.

When the Fiscal Officer receives funds from the Cemetery Saxon for cemetery lots, the Fiscal Officer verifies the amounts, copies the receipts and payment method and enters it into the UAN system. The Cemetery Saxon and the Fiscal Officer sign the receipt and they both get a copy of the receipt.

Receipts from the State and local sources are received in the form of check and/or direct deposits. When the Fiscal Officer receives a check for deposit, a standard receipt is entered into the UAN software. A deposit slip, in duplicate, is prepared. The duplicate copy of the deposit slip is maintained in the bank deposit book. All receipts are kept in a secured file cabinet with the original copy of the deposit slip until taken to the bank. Receipts are deposited within a three day period. The deposit confirmation from the bank and supporting documentation are attached to the receipt and filed in a folder by month by receipt number.

Receipts from the County Auditor and the Regional Income Tax Agency are deposited directly into the Village's checking account. County Auditor electronic deposits are recorded on a daily basis. Regional Income Tax Agency electronic deposits are recorded on the 1st and 15th of each month. For direct deposits, the Fiscal Officer reviews the bank account and enters the receipt into the UAN system. There is sufficient information provided on the bank statement for the Fiscal Officer to determine the appropriate fund and receipt code to record the receipt. Interest is earned and posted at the end of each month.

The Fiscal Officer is bonded. The Fiscal Officer, Sewage Clerk, Mayor's Secretary and Zoning Officer are all covered by a theft policy which provides \$100,000 coverage per employee.

Summary of Income Tax Receipts - The Village implemented an income tax effective October 1, 1971. All Village residents eighteen and older are required to file an annual income tax return due on April 15. 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 recorded in the General Fund. The Village contracted with the Regional Income Tax Agency (RITA) for income tax processing and collection. Income tax withholdings, quarterly estimates, and payments filed with the return are sent to RITA. Income tax receipts are deposited electronically by RITA twice a month into the regular 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 as an expenditure.

The only receipts that do not pass through the Fiscal Officer's office are sewer utility receipts and court magistrate receipts. The Sewer Department and the Court Magistrate Department deposit the funds themselves, as discussed below.

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Sewer

The Village currently contracts with Suez Water for billing the consumers for the Village. The Sewer Department of the Village is responsible for the supervision of and collection of receipts for sewer services from the Village's patrons. Billing for the Sewer Department for patrons and commercial entities is done monthly. Billing stubs are mailed out each month, and payment is due before the 10th day of the month, unless it falls on a weekend, at which point it is due the following Monday.

Payments can be made with cash, check or money order through the mail or in person at the Sewer Office. Payments can be made by credit card over the phone or in person at the Sewer Office. Payments are received along with half of the billing stub that is mailed to the customer. When these payments are received by the department, the amounts and account numbers are entered into the daily register in the system. A calculator tape is run of the billing stubs received for the day and it is tied to the printed system register for the day and check marked showing that it has been tied. A deposit slip is then prepared that includes each payers account number and the deposit is made at the bank by the Billing Clerk. The deposit slip is stored together with the register and calculator tape for that day. Every other day the Fiscal Officer checks the deposits and reconciles credit card payments once a month.

If payments are received after the register is printed and the deposit is made for the day, they are stored in a lock box in the office until the next morning when they are processed as discussed above. At the end of the day, the change drawer in the office is counted by the Billing Clerk to make sure the starting amount of \$100 is in the drawer. Every other day, the Billing Clerk gives a report to the Fiscal Officer. On a monthly basis, the Fiscal Officer reconciles the bank statement to the sewer receipts.

Police

The Wellsville Police Department brings in receipts for report fees. The Department only accepts check as payment. The Police Officer gives the receipt information to the Fiscal Officer. The Fiscal Officer verifies the amount, enters the receipt into the UAN system and prints two copies of the receipt. One is given to the Police Officer and the other is kept in the Finance Department

Court Magistrate

The Wellsville Mayor's Secretary is accountable for receipts for Mayor's court, public records requests, parking and traffic tickets, and jail fees. The Department accepts exact cash, check or credit card as payment, and computer generated receipts are made out by the Mayor's Secretary.

The Mayor's Secretary handles any request from the police department that has to do with fines and court fees. The Police Lieutenant brings the report request fee to the Mayor's Secretary. The Mayor's Secretary hand-writes a receipt, with the white copy going to the payer, the yellow copy going to the Finance Office and the pink copy remaining with the Mayor's Secretary.

At the end of their shifts, all officers give any tickets they wrote to the Police Lieutenant. The Police Lieutenant gives the tickets to the Mayor's Secretary who enters them into the Courtview software system. A docket is then hand-written for each case, and pending tickets are stored together in a book. Once a ticket is paid and/or is heard in court, the docket is updated accordingly. The five part tickets are distributed as follows:

Blue - given to the defendant at the time the ticket is written and is to be sent in with payment.

White – given to the Mayor's Secretary to be attached to the case file.

Yellow – given to the Mayor's Secretary to be attached to the case file.

Pink – given to the Mayor's Secretary to be attached to the case file.

The hard copy remains with the Police Department.

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Payment can be made in person, over the phone by credit card or through the mail. When the defendant makes a payment and includes the blue ticket, the blue ticket is attached to the case file along with the white, yellow and pink copies.

When cash or checks are taken in, they are stored in a locked cabinet in the Mayor's Secretary's office. The Mayor's Secretary makes daily deposits to the bank when cash payments are received. The payment log is remitted from the Mayor's Secretary to the Fiscal Officer on a monthly basis with a list showing the amounts, who they were from, and for what purpose.

Zoning

The Wellsville Zoning Department brings in receipts for vendor licenses, zoning permits, sign permits, contractor licenses and solicitor permits. The Department accepts exact cash, check or credit card as payment. The Zoning Officer gives the receipt information to the Fiscal Officer. The Fiscal Officer verifies the amount, enters the receipt into the UAN system and prints two copies of the receipt. One is given to the Zoning Officer and the other is kept in the Finance Department.

Auditor of State Comments

- According to Revised Code Section 9.38, all monies must be remitted to the Fiscal Officer by the next business day after receipt. If the amount is less than \$1,000 and a policy is specifically adopted outlining the procedures, the monies can be held up to a maximum of three business days after the day of receipt. The Village should institute a specific policy outlining how many days cash may be held, up to a maximum of three, and relevant procedures.
- The Village does not have a policy in place that addresses the safeguard of public monies until they are deposited. According to Revised Code Section 9.38, the Village should have a policy in place that addresses the safeguard of public monies until they are deposited. This policy should provide for effective storage on Village property of these funds.

Village of Wellsville – Columbiana County

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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 purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the 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 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.

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

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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 Village Administrator, except as otherwise specified by State statute. All contracts are signed by the Village Administrator and the Fiscal Officer.

Bidding - All contracts calling for disbursements in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Revised Code section 731.141 requires that bids be opened and publicly read by the Village Administrator 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.

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 from 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 from 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

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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 \$500 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 are made.”

Methods Used by the Village

A Village department makes the decision that they need to purchase an item or obtain service from an outside vendor. This process is initiated by a requisition. The requisition form is completed with a description of the purchase and vendor by the employee requesting the purchase, typically the department head. If an employee other than the department head completes the requisition form, it is authorized and signed by the department head. The requisition is then sent along to the Fiscal Officer, who then verifies the purchase.

The Fiscal Officer uses the information on the requisition to generate a Purchase Order in the system, which is printed and attached to the requisition. These forms are stored in the Fiscal Officer’s office until they are ready to be paid, then the received invoice is stored along with the requisition and purchase order.

Regular purchase orders include the purchase order number, vendor name and address, a description of the items, amount per unit, total quantity requested, account code and Fiscal Officer’s certification.

The Finance department prints two copies of the purchase order form. The Fiscal Officer retains the original copy of the purchase order and the other copy is sent to the department where the requisition originated. The vendors do not receive a copy of the purchase order but have been contacted and instructed by the Fiscal Officer to only fill an order if they have been given a purchase order number which they should reference in the invoice.

The Village does not use blanket or super blanket purchase orders.

A vendor list is maintained in the UAN system. Codes for new vendors are assigned by the Fiscal Officer. There is no process for adding new vendors outside of assigning a new code. There is no official process for selecting a vendor, though departments tend to give preference to local businesses when possible.

“Then and Now” certificates are used for purchase orders that are generated after a purchase is made that a requisition was not completed for. “Then and Now” certificates in excess of \$3,000 are approved by Village Council resolution.

The Village has three bank cards to use for various purchases. The Village has a policy for the use of these credit cards. The Fiscal Officer maintains control over the credit cards. Any employee may use the bank card provided there is a purchase order in place to cover the purchase. Once the purchase has been made the employee returns the bank card and the receipt to the Fiscal Officer.

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At the end of the year, the Fiscal Officer closes out all purchase orders.

The Village has a formal purchasing policy in place. The Mayor and the Village Administrator make the necessary arrangements for public bidding. Bids are received at a set date at a bid opening and a list of vendors and bid amounts is created. The Mayor, Fiscal Officer and the Council President open and review the bids. The bid is awarded based on lowest and best bid.

Auditor of State Comments

- The Village does not use the Auditor of State Findings for Recovery Database when adding new vendors. 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.
- The Village does not keep minutes of bid openings for contracts. The Village should prepare and keep minutes for all bid openings.
- The original purchase order is not sent to the vendor. The purchase order should be mailed or faxed to the vendor.
- The Village has not established, by resolution of Village Council, an amount for blanket purchase orders.

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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. Vouchers should be approved for payment by an appropriate official. A check 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. Checks should be signed by the Fiscal Officer and the Mayor 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 disbursements of funds:

Checks - Disbursements may only be made by a proper check drawn against an appropriate fund. The check 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 the 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 check in payment of amounts due upon such contract, but such resolution 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 check 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. The Village should also attach supporting documentation to the voucher, such as vendor invoices.”

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Methods Used by the Village

The Fiscal Officer receives all mail and reviews all invoices received. Verbal confirmation is then obtained from department heads that invoices are okay to pay.

Bills are paid when they are due. The Fiscal Officer creates the checks in the UAN software assigning the appropriate purchase order number. The Fiscal Officer signs all checks and mails out the payments. A copy of the check, with a copy of the invoice attached, is filed in check number order. If a regular purchase order was issued for the purchase, a copy of the purchase order is also attached to the copy of the check. Village Council is provided with the Payment Listing with detail identifying by check number, the date, vendor, purpose, and account codes charged.

Check stock is pre-printed with the header, check number, routing number and account number. The amount, vendor and invoice number are printed on the check stock when the check run is conducted. The pre-printed check stock is stored in a locked cabinet in the Fiscal Officer's office. The Fiscal Officer is the only one with a key to the cabinet. The Fiscal Officer's computer is the only one that can print checks. No one has the login credentials other than the Fiscal Officer. All checks are hand signed by required signatories.

Hand-written checks are not used except in rare cases where checks are unable to be printed and a check needs issued immediately.

When a check needs to be voided the Fiscal Officer goes into the system and into the batch where that check was generated. The check itself is then voided in the system followed by the voucher. "Void" is manually written on the check and it is then stapled to the documentation explaining the void. The signature block is cut out of the check. The packet is retained in the file cabinet in the Fiscal Officer's office.

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

Auditor of State Comments

- The Fiscal Officer receives only verbal confirmation from department heads that invoices are okay to pay. A policy should be implemented and approved by Village Council requiring signed documentation from department heads for an invoice to be paid.
- There is no contingency plan in place for when the Fiscal Officer is unable to perform her job duties. A policy should be implemented and approved by Village Council for how the Village will operate in this situation.

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Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the 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 also 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 or by direct deposit to a bank account of the employee. 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. Safeguards should be in place to ensure that the same individual does not hire personnel, authorized pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements

The following State statutes apply:

Section 705.13, 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

When an employee is hired or an official is new, an IRS Form W-4, State Form IT-4, and pension forms (if applicable) are completed. Personnel files are kept in the Fiscal Officer's office. The files contain forms for tax information, Ohio Public Employees Retirement System forms, Ohio Police and Fire forms, withholding forms, I9 employment eligibility verification forms, certifications received during employment, licenses, disciplinary actions, drug screenings, and insurance forms, and any other information the Village chooses to retain about the employee. The personnel files are stored in a locked file cabinet in the Fiscal Officer's office.

All newly hired employees are approved by Village Council and reflected in the minutes. Village Council approves all pay rates and pay increases by ordinance.

All employees prepare timesheets that are verified and approved by the Fiscal Officer and are paid biweekly.

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The Village's employees use timesheets to track hours worked. The department head reviews the timesheets and uses them to generate a summary department timecard which is sent to the Fiscal Officer to use for payroll processing. Timecards show the dates and hours worked each day. Employees must fill out a form and get supervisor approval for the use of leave. These leave forms are signed and dated by the supervisor and are sent in with the timecards.

The Fiscal Officer creates the payroll in the UAN payroll software. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. Part time police, cemetery workers, street workers and all administration except for elected officials have OPERS withheld. Full time police and the fire chief pay into the police and fire pension system. All of the volunteer firefighters and dispatchers have Social Security withheld. Council members are elected officials and have either OPERS or Social Security withheld.

All employees are paid by check. The checks are placed in envelopes and hand delivered or mailed. Timesheets are attached to the copy of the check and kept in a folder by month in check number order.

All payroll taxes are calculated by the UAN software. Payroll withholdings for federal income taxes, Social Security, Medicare, and deferred compensation are paid after each pay. State, village, and school income taxes are paid at the end of each month. OPERS and Police and Fire Pension are paid once a month.

All full-time employees receive vacation, personal, and sick leave benefits in accordance with Village policy. Vacation leave is credited on January 1st of each year, personal leave is received at the beginning of each year, and sick leave is accrued each pay period. When an employee wants to use leave, they submit a request form to the department head and then the department head provides a copy to the Fiscal Officer. The Fiscal Officer updates UAN when leave is used and also maintains an excel spreadsheet for the purpose of tracking leave accruals and usages.

Employees contribute \$10 per pay for vision and dental insurance. Health insurance contributions are made in the amounts of \$75 per pay for the family, \$50 per pay for single with dependents or couples and \$25 per pay for singles.

Full and part time and seasonal employees are compensated biweekly. There are 35 full-time and part-time employees with the Village, as well as 25 volunteer fire employees. For hourly and part-time employees, the pay period begins on Sunday and ends on Saturday two weeks later. Pay checks are distributed to employees every other Thursday. The Zoning Officer and Village Council members are paid monthly with the second pay of each month.

Auditor of State Comments

- None.

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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 payments may be receipted into a separate fund created specifically for debt retirement. Care should be taken to ensure 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.

A municipal corporation shall not incur net indebtedness that exceeds an amount equal to ten and one-half percent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half percent of that tax valuation.

Methods Used by the Village

The Fiscal Officer monitors debt payments using the debt service schedules and invoices for debt payments received by the Village. Debt issuances are authorized by Village Council resolution. The statute authorizing the issuance is identified in the resolution as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

When a department head determines that a project is needed, they take the request to the Mayor. If the Mayor decides to take on the project and finance it through debt, they take it to Village Council, which considers whether to approve new debt issuances. Debt instruments are signed by the Mayor. The sources for debt payments are property taxes levied and collected and revenue from water and sewer usage. Debt payments are made by check as a part of normal check runs or as an Automated Clearing House (ACH) electronic transaction.

The Village's outstanding long-term obligations are as follows:

<i>Governmental Activities:</i>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance 12/31/16</u>
Backhoe Lease	3.09 %	December 20, 2019	\$40,468	\$21,158

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<i>Business-Type Activities:</i>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue</u>	<u>Balance 12/31/16</u>
OPWC Loan				
Russell Heights Sewer Improvements	0.00 %	January 1, 2022	\$125,459	\$34,500
Wells Avenue Extended Sewer Improvements	0.00	January 1, 2022	125,689	34,564
Digester Improvements	0.00	January 1, 2041	151,142	123,433
OWDA Loans				
Wastewater Treatment Plant Improvements II	2.20	July 1, 2018	862,908	104,246
Wastewater Treatment Plant Improvements II	2.20	July 1, 2018	64,234	8,086
Wastewater Treatment Plant Headworks Improvements	1.00	January 1, 2023	118,906	41,275

The Ohio Water Development Authority (OWDA) loans relate to water and sewer plant expansion projects the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$1,411,000 in loans to the Village for this project. The Village will repay the loans in semiannual installments of \$64,293, including interest, over 20 years. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

Auditor of State Comments

- None.

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Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets and Supplies

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, 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.

Methods Used by the Village

The Village does not have an inventory of capital assets. A listing of building, vehicles, equipment, and furniture are listed on the Village's property insurance schedules, however, the listing has not been prepared pursuant to a Village capital asset policy. Property cards for the land owned by the Village can be obtained on the Columbiana County Auditor's website.

Auditor of State Comments

- The Village does not have 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 develop an inventory of all capital assets and update it annually.
- The Village Council should adopt policies and procedures to account for and track capital assets.
- The Village Council should implement written policies for the use of Village owned property (i.e. vehicles, equipment, cell phones) that addresses control and accountability and stipulates that the personal use of any Village owned property is prohibited.

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Report on Accounting Methods

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 ensure 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.

Village Codified Ordinances

Codified Ordinance 135.01 “State Treasury Asset Reserve” authorized the Village to participate in STAR Ohio. Codified Ordinance 135.02 “Investment Policy” approved the “Investment and Depository Policy” (Ordinance 224-1996).

Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. 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. Cash management and investment activities of a Village are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

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 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) 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. A Fiscal Officer is not subject to this training if the investments are limited as defined by the Revised Code and an exemption form is certified by the Treasurer of State.

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

In addition to the training required by Section 135.22 regarding investing, section 733.27 and 733.81 of the Revised Code requires that the Clerk-Treasurer attend annual training programs of continuing education for fiscal officers provided by the Auditor of State or the Ohio Municipal League. 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 four checking accounts in Huntington Bank, a primary account and three secondary accounts. The Village's investments include a certificate of deposit (CD) in Central Federal Bank, two savings accounts, one in Charity Deposits Corporation and the other in Huntington Bank and money market account in Charity Deposits Corporation. Payroll checks are run through the primary checking account. Checks are kept in the fiscal officer's office where they are able to be accessed by the Fiscal Officer.

The Village has signed depository agreements for all accounts and investments with Huntington Bank. The Village's deposits are collateralized by the use of a collateral pool.

Huntington Bank serves as the primary depository where the general account receives wire transfers and deposits of the Village. Checks are written against this account for Village obligations including payroll. Any interest earned is allocated to the general fund. The general checking account is reconciled by the fifteenth day of the following month by the Fiscal Officer.

The Village has a resolution in place authorizing the cemetery endowment fund to invest thirty-five thousand dollars in an interest-bearing certificate of deposit, with all interest earned from the certificate of deposit to be transferred to the cemetery fund.

The UAN software provides a reconciliation from bank to books which is currently being utilized by the Fiscal Officer. The reconciliation is printed from the software and includes an outstanding checklist. Upon completion of the monthly reconciliation, the Finance Committee of Village Council reviews the bank reconciliation as printed from the UAN software.

The Fiscal Officer attaches supporting documentation with each bank reconciliation including the reconciliation spreadsheet and the fund, revenue and expense reports. All reconciliations are filed in the Fiscal Officer's office.

The Village does not have an investment policy on file with the Clerk of Bureau.

There are no departments that have petty cash funds. There are no written procedures for petty cash.

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The Municipal Court has two accounts with Huntington Bank, a mayor's court account and a magistrate merchant account. Neither account earns interest. Monthly account statements are provided to the Courts. Copies of bank statements and reconciliations are provided to the Village per their request, usually at year end to assist with the financial statement preparation.

Auditor of State Comments

- The Auditor of State does not have an investment policy, for The Village on file, therefore one has not been signed by the current Fiscal Officer. The investment policy should be updated and submitted to the Auditor of State with the current Fiscal Officer's signature.
- The Village does not post interest to Street Construction and Maintenance or the State Highway special revenue funds as required by Article XII, Section 5a, Ohio Constitution. The Village should allocate interest to the required funds.
- The Fiscal Officer does not attend annual training provided by the State Treasurer's Office for investments. The Fiscal Officer is exempt from this training if the Village has no investments and the Fiscal Officer files an exemption form. The form has not been filed.

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Financial Reporting

Description of 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 budget 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)(1) requires that local public offices file their annual financial report electronically with the Auditor of State through the annual financial data reporting system (The Hinkle System) via an entity-specific link, unless the local public office has an approved waiver. A copy of the report is to be retained by the fiscal officer of the local public office. Ohio Administrative Code section 117-2-03(C) requires that local public offices that use the "Uniform Accounting Network" shall file their annual financial reports in accordance with the guidelines established by the Uniform Accounting Network. Ohio Administrative Code section 117-2-03(D) requires that local public offices who do not prepare their annual reports using generally accepted accounting principles or another comprehensive basis of accounting shall file their annual financial reports on the regulatory basis prescribed by the Auditor of State

Financial Reporting Requirements: On February 2, 2005, the American Institute of Certified Public Accountants (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 interpretations, the cash basis financial statement presentation must "look like" the basic financial statements from a generally accepted accounting principles (GAAP) presentation (i.e., GASB Statement No. 34, Basic Financial Statements 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 statement in accordance with GAAP and elect not to present "look alike" statements, (such entities in Ohio include libraries, townships, villages, 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 Wellsville – Columbiana County

Report on Accounting Methods

Methods Used by the Village

Each month, Village Council receives a Fund Cash Balance Statement (includes by fund the beginning fund balance, month to date and year to date revenues and expenses, unencumbered fund balance, encumbrances, and available fund balance), a copy of the bank reconciliation, and a listing of invoices to be paid.

The annual financial report for the years ended December 31, 2016, was filed with the Auditor of State on February 21, 2017, and a notice was published in the local newspaper.

Auditor of State Comments

- Village Council has not defined, by ordinance, the type or frequency of financial information they expect to receive. The Fiscal Officer should provide Village Council a monthly statement that reflects the beginning and ending cash balances and the month to date and the year to date receipts and disbursements for each fund. The Fiscal Officer should provide receipts and appropriation reports to Village Council on a monthly basis. These reports should provide a comparison of estimated receipts to actual receipts and the percent collected to date as well as the appropriations and disbursements and the percent spent to date. The reports should demonstrate compliance with the adopted budget.

Village of Wellsville – Columbiana County

Report on Accounting Methods

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 Clerk of Council. All Village Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

Statutory Requirements

Section 121.22(C) 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 Clerk of Council 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 clerk. 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, 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.

Methods Used by the Village

The Village Council holds their regular meetings on the first and third Tuesday of each month. The Fiscal Officer takes notes during the Village Council meetings and records them with an audiotape. From those notes and audiotape recording, the Fiscal Officer prepares the minutes of the meeting. The minutes include who is in attendance, reports that are presented by various departments and officials, the detail of topics discussed, resolutions and ordinances by number and description and the votes thereon, any disagreements between Village Council members, and other upcoming events. The minutes are approved and signed and

Village of Wellsville – Columbiana County

Report on Accounting Methods

dated by the Mayor and Fiscal Officer at the next Village Council meeting. The typed minutes, resolutions and ordinances are kept in files in the Fiscal Officer's office. Village Council holds special meetings as needed, usually to address hiring and other personnel matters. These meetings occur about two times a year on average. The Fiscal Officer takes notes and produces minutes for these meetings in the same way as regular Village Council meetings, and minutes for the special meetings are also approved in the same way. All ordinances and resolutions are reviewed by the Village Solicitor.

Auditor of State Comments

- None.

Village of Wellsville – Columbiana County

Report on Accounting Methods

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 Wellsville 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.

Village of Wellsville – Columbiana County

Report on Accounting Methods

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Dave Yost • Auditor of State

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
DECEMBER 12, 2017