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Auditor of State

**Village of Midland  
Clinton County, Ohio  
Report on Accounting Methods**

**Local Government Services Section**

**Village of Midland – Clinton County**

**Report on Accounting Methods**

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**CERTIFICATION**

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

*Mary Taylor*

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May 27, 2010

## Village of Midland – Clinton County

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#### Purpose

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

Accordingly, this report addresses 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 Midland. 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 Midland – Clinton County

### Report on Accounting Methods

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#### Governance Overview

The Village of Midland (the “Village”) is located in southwest Ohio in Clinton 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, Midland must comply with all State laws regulating village government. The decision-making process is directed by an elected Village Council and Mayor.

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

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie.

The Fiscal Officer is an appointed position and serves as the chief fiscal officer of the Village and Clerk for the Village Council. The Fiscal Officer attends all 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 disbursed by the Village and keeps records of all property owned by the Village and of all taxes and assessments. The Fiscal Officer establishes the accounting procedures necessary to comply with the Ohio Revised Code and 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.

On November 30, 2006, the Village was declared to be in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Revised Section 118.05. Commission membership is as follows:

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

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Governance Overview

(Continued)

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

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

This Commission is required to adopt a financial recovery plan for the Village within 120 days of its first meeting. The recovery plan was submitted to the Commission on November 3, 2008. By State statute, the Village must operate within the provisions of the recovery plan.

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

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

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

## Village of Midland – Clinton County

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#### Budgetary System

##### Description of an Effective Budgetary System

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

##### Statutory Requirements

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

The Tax Budget - The mayor prepares an annual tax budget for the period of January 1 to December 31 of the following year of estimated revenues and expenditures for all funds of the village. The budget must be filed in the fiscal office for public inspection ten days before adoption by village council. Section 5705.30 of the Revised Code requires that at least one public hearing be held for discussion of the budget and that public notice be given not less than ten days prior to the date of the hearing. Village council is required to adopt the budget no later than July 15 and the budget must be submitted to the 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 amounts and rates for approval by the village council. The 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, the village council must authorize, by resolution, the necessary tax levies and certify them to the county auditor.

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

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.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Budgetary System

(Continued)

On or about January 1, the fiscal officer certifies the actual year-end balances for all village 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 official certificate.

Appropriation Ordinance - Section 5705.38 of the Revised Code requires that on or about January 1, the annual appropriation ordinance must be enacted by the village council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the village until April 1. The appropriation ordinance, by fund, must be within the estimated resources as certified by the county budget commission. Appropriation measures must be classified so as to set forth separately the amounts appropriated for each office, department, and division, and, within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriation or alter the levels adopted by the village council must be approved by the village council. The village may pass supplemental appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

The fiscal officer is required to certify a copy of each appropriation ordinance to the county budget commission. No appropriations are effective until the county auditor provides a certificate indicating the appropriations, by fund, are within the estimated resources.

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

Annual Tax Ordinance - Section 705.17 of the Revised Code requires that an annual tax ordinance to determine the amount of the tax levy be prepared by the mayor, under the direction of the village council. The section also requires the involvement of each office and department of the village, comparative financial information for the previous years and the next year for each office, department, and division, a public hearing after at least one week's notice, approval of the village council, and submission to the county budget commission which shall fix the total maximum tax levy permitted by the village for the ensuing year.

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

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### Report on Accounting Methods

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#### Budgetary System

(Continued)

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

Section 117-2-02(C)(1) of the Administrative Code, requires that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

In addition, Section 117-2-02(C)(1) of the Administrative Code, states that 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, per Section 117-9-02 of the Administrative Code. Any appropriation amendments to increase or decrease appropriations at the legal level of control must have council approval. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, which includes the village, the minimum legal level of control is described in section 5705.38 of the Revised Code. The legal level of control is a discretionary decision made by the legislative authority and must meet or exceed the level prescribed in section 5705.38 of the Revised Code.

#### Methods Used by the Village

The Clinton County Auditor waives the tax budget filing requirement and is currently not requiring the Village to file any alternative information.

The Village submits the Certificate of the Total Amount from All Sources Available for Expenditures and Balances, which includes the year-end actual cash balances and outstanding encumbrances, to the county budget commission, and in January, the budget commission issues an amended official certificate of estimated resources. Estimated receipts are entered into a Microsoft Excel spreadsheet.

Council adopted a permanent appropriation ordinance on January 5, 2009. The legal level of control established by Council is at the program/activity and major object level. The Village received a notice from the County Auditor that the total appropriations in the General Fund exceeded the last amended estimate of estimated resources for the 2009 annual appropriations ordinance.

Monthly, the Fiscal Officer reviews the estimated and actual receipts and the appropriations and actual expenditures plus encumbrances.

#### Auditor of State Comments

- The Village does not prepare a tax budget or a tax ordinance, as required by State statute. The County Budget Commission has waived the requirement for the filing of the tax budget; however, the requirement for the tax ordinance cannot be waived by the County Budget Commission. The Mayor is required to prepare a tax ordinance to determine the amount of the tax levy.

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#### Budgetary System

(Continued)

- Section 5705.39 of the Revised Code states that no appropriation measure is effective until the County Auditor files a certificate that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources. The Village received notification from the County Auditor that the 2009 annual appropriations for the General Fund exceeded estimated resources of the General fund. If the Village's appropriations are in excess of the last amended official certificate of estimated resources, appropriations should be amended and resubmitted to the County Budget Commission.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Chart of Fund and Account Codes

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

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

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

##### Statutory Requirements

The funds that should exist in a local government are addressed by section 5705.09 of the Revised Code. Section 5705.13 of the Revised Code authorizes local governments to establish reserve balances 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 the creation of a special revenue fund to accumulate resources for the payment of sick and vacation leave upon termination of employment. Additionally, it allows for the 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 uses a numeric chart of accounts. The chart of accounts classifies revenues by a four-digit number identifying the fund followed by a three-digit number identifying the revenue source. Expenditures are classified by the same fund numbers followed by a three-digit number identifying the activity code and a three-digit number identifying the object code for expenditures.

The Village has not established any new funds since the Fiscal Officer took office. The Fiscal Officer is aware that funds must be established according to the Ohio Revised Code or by request to the Office of the Auditor of State.

##### Auditor of State Comments

- None

## Village of Midland – Clinton County

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#### Accounting Journal and Ledgers

##### Description of Effective Accounting Ledgers

The accounting journals and ledgers of the Village should allow for ongoing and timely information on estimated and actual receipts, 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 traced throughout the journals and ledgers and back to the document that originated the transaction.

##### Administrative Code Requirements

Section 117-2-02(A), Ohio Administrative Code, requires all local public offices to 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, document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-02-02(C)(1), Ohio Administrative Code, requires all local public offices to 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.

Section 117-2-02(D), Ohio Administrative Code, requires all local public offices to 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 recorded.

Receipts Ledger – The receipts ledger is used to summarize receipts by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues 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.

## Village of Midland – Clinton County

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#### Accounting Journal and Ledgers

(Continued)

Appropriations Ledger – The appropriations ledger is used to summarize appropriations, disbursements, and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the village, the check issued for the payment of the obligation, and necessary 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 council. The unencumbered appropriation balance provides information on the amount available for obligations. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

#### Methods Used by the Village

The Village uses Microsoft Excel to maintain a cash journal, a receipts ledger, and an appropriations ledger.

In the cash journal, data entered includes the amount, date, description, receipt/appropriation code, and receipt/warrant number. Receipts and expenditures are then totaled in aggregate and by fund. A cash balance is calculated after each transaction.

In the receipts ledger, data is entered into a separate spreadsheet for each receipt code. The date, check number or receipt number, description, and amount are all included and the total receipts are carried forward to a lead spreadsheet that compares the actual receipts with budgeted receipts.

In the appropriations ledger, data is entered into a separate spreadsheet for each appropriation code. The date, check number or receipt number, description, and amount are all included and the total disbursements are carried forward to a lead spreadsheet that compares the actual disbursements to appropriations plus encumbrances.

The Fiscal Officer prepares backup disks approximately two times a year. These disks are stored at the Village building whereas the computer is kept at the Fiscal Officer's home.

#### Auditor of State Comments

- The Village should develop, adopt and implement a written policy that identifies the process and frequency by which the computer system utilized by the Village should be backed up. The policy should also include procedures for safe, off-site storage of the backups.
- The Village uses Excel spreadsheets to produce the accounting records. The spreadsheets provide the information required by the Ohio Administrative Code. However, when the Village's financial condition improves, and as the budget permits, the Village should acquire appropriate accounting software to maintain its financial records.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Receipt Transactions

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

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited in accordance with State statute. The receipt should be a multi-part form that is pre-numbered and issued consecutively. The receipt should bear 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 form should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature or name of the person preparing the pay-in order. Supporting documents should be attached to a copy of the pay-in-order. All receipts or pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, 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 an agent shall deposit all public monies received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount received exceeds \$1,000. If the total amount of the public monies so received does not exceed \$1,000, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such a time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 733.40, Revised Code, requires all fines, forfeitures, and costs in ordinance cases and all fees that are collected by the mayor, that in any manner come into the mayor's hands, or that are due the mayor or a marshal, chief of police, or other officer of the municipal corporation, any other fees and expenses that have been advanced out of the treasury of the municipal corporation, and all money 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 money received, from whom and for what purposes received, and when 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 to be recorded in the cash journal. Section 117-2-02(D)(2) of the Ohio Administrative Code requires the amount, date, name of the payer, purpose, receipt number, and other information required for the transaction to be recorded in the receipts ledger.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Receipt Transactions

(Continued)

#### Methods Used by the Village

Most receipts of the Village are from the State of Ohio and the Clinton County Auditor, and are direct deposits to the Village bank account. Occasionally, checks are received in the mail, such as the Time Warner cable franchise fee. Zoning revenues are typically received at the zoning commission meetings. The Village does not use pay-ins. Receipts are only used for non-governmental receipts, such as zoning receipts.

There are several types of receipts that come from the State. These include gasoline taxes, motor vehicle license taxes, and permissive motor vehicle license taxes. The Village has chosen to receive these payments by electronic funds transfer.

Taxes are received from the County Auditor. This includes real, personal property and estate taxes. Checks are issued for the net amount after auditor's and treasurer's fees are deducted. The Fiscal Officer posts the taxes at the gross amount received.

When revenues are received, the Fiscal Officer prepares a deposit slip. The receipt documentation is attached to the deposit slip. The Fiscal Officer records the receipt in a cash journal spreadsheet in Microsoft Excel. Deposits are typically made within two days or less of the receipt.

#### Auditor of State Comments

- Section 9.38 of the Revised Code requires the deposit of all public monies the next business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. Council should consider adopting such a policy for amounts less than \$1,000.
- Pay-in-orders are a form generally used by the Fiscal Officer's office for the receipt of money and posting of receipts to the accounting system. Receipts are generally a document used to substantiate the receipt of money. The Fiscal Officer issues receipts rather than pay-in-orders. Pay-ins should be used by the Fiscal Officer's office to document the receipt of money from all outside sources and for posting receipts to the accounting system.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Purchasing Process

##### Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing should 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 expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer.

Blanket Certification of the Availability of Funds - The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that does not extend beyond year-end in an amount established by resolution of the village council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine, recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and expenditures 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 expenditures 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.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

Then and Now Certification - It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed (then) and at the current time (now), a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the Village Council has 30 days from the receipt of such certificate to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the Village.

Authority to Contract – Contracts are approved by the village council and executed in the name of the village by the mayor and the fiscal officer, except as otherwise specified by statute.

Bidding – All contracts for expenditures in excess of \$25,000 shall be authorized by Council and entered into in writing with the lowest and best bidder. Ohio Revised Code Section 731.14 requires that bids be opened and publicly read by the fiscal officer at the time, date, and place specified in the advertisement for bids. If the position of village administrator has been created, Ohio Revised Code Section 731.141 requires that bids be opened and publicly read by the village administrator for departments under the administrator's supervision at the time, date, and place specified in the advertisement for bids. 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, Ohio law (ORC 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 off the State term schedule, the Ohio Department of Administrative Services engages in a contracting process as described under Attorney General Opinion 2004-014 and, consequently, is required to comply with Revised Code section 9.24. State agencies and political subdivisions that purchase off the State term schedule do not engage in their own contracting processes and are not subject to the provisions of Revised Code section 9.24.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Purchasing Process

(Continued)

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, 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 district's fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged at the time the bid was submitted with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the County Treasurer within 30 days of the date it is submitted.

Campaign Financing (HB 694) – Section 3517.13, Revised Code, states that any bid or unbid contract, purchase order or collective bargaining agreement with a value of more than \$10,000 requires the vendors 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

The Village has no formal policies or procedures for purchases under \$25,000. The Fiscal Officer prepares a purchase order based on the information given to the Fiscal Officer by the employee or official requesting the purchase order, or based on an invoice received. The purchase order is signed by the Fiscal Officer and one other official, usually the Mayor. There is only one copy of the purchase order and it is maintained in a purchase order file for that year. The Village Fiscal Officer does not prepare blanket or regular purchase orders for monthly bills, such as utilities and office supplies, before the obligation is incurred.

#### Auditor of State Comments

- The Village receives invoices before a purchase order is prepared and posted. The Village should use a purchase order form to document the authorization of purchases. Once the purchase is approved, the Village Fiscal Officer should record the purchase order and encumber the funds. Purchase orders should be issued before an obligation is incurred.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Cash Disbursements

##### Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the Village. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and account codes, and should include a copy of the purchase order, invoice and receiving report or a signed billing slip. 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 made prior to incurring the obligation. All checks should be signed by the fiscal officer and recorded in the cash journal and appropriations ledger. Vouchers should be filed numerically or by vendor.

##### Statutory requirements

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

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(s) which it is drawn upon.

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

Certification - If no certificate of the fiscal officer is furnished as required, upon receipt by the village council of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the village council may authorize the drawing of a check in payment of amounts due upon such contract, but such ordinance shall be passed within 30 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 Requirement

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, account code, amount, approval, and any other required information.”

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Cash Disbursements

(Continued)

#### Methods Used by the Village

Invoices are either mailed to the Village post office box or received from Village employees and sent to the Fiscal Officer. The Fiscal Officer reviews the invoice for legitimacy. If the Fiscal Officer has a question about the authorization of an invoice received, she discusses it with the Mayor or Council, depending on who authorized it. If the invoice appears reasonable, the Fiscal Officer manually issues a check. All checks are signed by the Fiscal Officer and the Mayor. Council approves all bills for payment at their monthly meetings, and their approval includes a review of vouchers, which includes any invoices and/or packing slips related to the purchase. After bills are approved, the Fiscal Officer submits payments.

#### Auditor of State Comments

- The Village Council approves all bills for payment at its monthly meetings. Council has authorized expenditures for specific purposes with the approval of the appropriation ordinance. The approval of invoices by Council at its monthly meeting is not required by State law. The Village should implement a review process that does not delay the timely payment of invoices and bills until approval at the monthly Council meeting.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### 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 net compensation for the pay period and for the year. Standard deductions such as pension, Medicare, and Federal and State 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 electronic funds transfer to the 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 Federal and/or State laws. If there is a need to establish a new position in the village, council must first create the position by legislative action. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize 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, required 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 two percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.13, Revised Code, required the legislative authority of the 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 elected 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 a candidate for such office. All bonds shall be made with sureties subject to the approval of the mayor. The compensation so fixed shall not be increased or diminished during the term for which any officer is elected or appointed. This section does not prohibit the payment of any increased costs of continuing to provide the identical benefits provided to an officer at the commencement of his term of office.

##### Methods Used by the Village

The Village employees include the Mayor, Fiscal Officer, and four council members. The Mayor is paid \$150 per quarter. The Fiscal Officer's salary is \$500 per month and is paid during the first week of each month. Council members receive \$30 per meeting and are paid every quarter during the first week in each quarter. All payroll checks are reviewed and signed by the Mayor and the Fiscal Officer to ensure that all payroll expenditures are properly approved.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Payroll Processing

(Continued)

The Fiscal Officer calculates the payroll and issues manual checks for all employees. The Fiscal Officer prepares a manual payroll register which includes the gross salary and payroll withholdings issued for each employee. Basic information, such as names, addresses, phone numbers, and social security numbers of each employee are maintained in a payroll file. The resolution setting the salaries of all officers is passed by Council only when a change in the salaries is desired. The last raise given was to the Fiscal Officer, increasing her salary from \$300 per month to \$500 per month in September 2007, due to the increased work load.

The Mayor, Fiscal Officer, and one council member pay into OPERS. The Village also contributes a required employer portion. The employer's portion of OPERS is paid quarterly for the Mayor and council member and monthly for the fiscal officer. Withholdings for federal and State taxes are also paid quarterly.

#### Auditor of State Comments

- None

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Debt Administration

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

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt should be passed by Council. The statute authorizing the issuance of debt should be identified in the ordinance as well as the purpose of the debt, the maturity, interest rate, and the source of revenue to be used for repayment. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing ordinance. Money to be used for debt payments may be receipted in 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.

##### Methods Used by the Village

The Village currently has no outstanding debt.

##### Auditor of State Comments

- None.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Inventory of Capital Assets

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

Capital assets of the Village should be adequately safeguarded against loss or theft. The Village should have a policy that defines capital assets, establishes capitalization thresholds and useful lives, methods to be used in tracking capital assets, and how to assign assets to programs. An inventory should be maintained for each item that includes its description, cost, serial and/or model number, location, date of purchase, fund purchased from, program used in, asset type, tag number, location, useful life and salvage value. The inventory should be updated throughout the year for acquisitions 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 so that any proceeds from the disposal can be properly recorded, the asset can be removed from the capital assets listing, and insurance coverage can be discontinued.

##### Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all local public offices should maintain capital assets records, including such information as the original cost, acquisition date, voucher number, asset type (land, building, vehicle, etc.), asset description, location, and tag number. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

##### Auditor of State Comments

- The Village does not maintain an inventory of capital assets. Without an inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should develop an inventory of all capital assets and update it annually.
- The Village should implement written policies for Village owned property that addresses control and accountability and that stipulates the personal use of any Village owned property is prohibited.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Cash Management and Investing

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

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

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

##### Statutory Requirements

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

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

Section 135.14(O)(3), 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 \$100,000 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 135.12, Revised Code requires that the designation period for depositories be five years.

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

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

##### Federal Requirements

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

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Cash Management and Investing

(Continued)

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 a general checking account. The Fiscal Officer reconciles the general checking account to the cashbook each month. The reconciliation includes an outstanding checklist.

#### Auditor of State Comments

- None

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Financial Reporting

##### Description of Effective Method of Financial Reporting

At least monthly, the Village fiscal officer should provide Council with a report that identifies the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Village. In addition, information concerning the estimated and actual receipts, appropriations, disbursements, and encumbrances should be presented for Council's review. On an annual basis, the Village Fiscal officer should prepare and publish financial statements, a comparison of budgeted versus actual information, a summary of debt activity for the year, and the activity and outstanding principal balance on all debt obligations.

##### Statutory Requirements

Section 117.38, Revised Code, requires that the annual financial report be filed with the Auditor of State within 60 days after the close of the fiscal year. At the time the report is filed with the Auditor of State, a notice should be published in the local paper that the report is completed and available at the office of the fiscal officer.

Section 733.45, 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 by him, the sources of such receipts, the disbursements made by him, 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."

On February 2, 2005, the AICPA issued an interpretation of one of its auditing standards (i.e., AU Section 623 Special Reports) that affects those governments that prepare their financial statements using the cash or modified cash basis of accounting. According to the interpretation, the cash basis financial statement presentation must "look like" a GAAP presentation (i.e., GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, once it became effective); otherwise, the Auditor of State or contracted independent public accounting firm is required to issue an adverse opinion. For entities that are not legally required to prepare their financial 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 would receive two opinions as part of their audit report if their cash statements do not look like GAAP statements (i.e., GASB 34).

##### Administrative Code Requirements

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

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### **Financial Reporting**

(Continued)

#### **Method Used by the Village**

The Village prepares its annual financial report on the cash basis of accounting. The report provides for the classification of funds by fund type, and includes combined fund type statements. The 2008 Annual Financial Report was filed on time. The Village prepared its financial statements using the regulatory basis.

The Village Fiscal Officer provides Council members with monthly bank reconciliations as well as summary pages of appropriation and revenue ledgers.

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

- None

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Recording Official Proceedings

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

The Village Council's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind 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 Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

##### Statutory Requirements

Section 121.22, 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 discussions 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 731.24, Revised Code, address the passage, style, number of subjects, authentication, and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Village Fiscal officer and kept open for public inspection for ten days. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of 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.

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

##### Method Used by the Village

The Fiscal Officer takes hand-written notes of the proceedings of each Council meeting during the Council meeting. After each meeting, she types the minutes into a word processing document and presents them to Council at the next meeting to be approved. The minutes are signed by the Mayor and the Fiscal Officer.

The approved minutes, resolutions and ordinances are kept in a binder at the Village.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Recording Official Proceedings

(Continued)

#### Auditor of State Comments

- The Village Council approves most of their formal actions by motions instead in resolutions or ordinances. The amendments to appropriations for the Village were not approved in the form of an ordinance but through a motion of Council. The Village Council should make and approve most actions through resolutions and ordinances. In addition, once a week for two consecutive weeks, the Village Fiscal Officer should publicize in the local newspaper the resolution or ordinance number with the heading and a notice that the complete text of it may be obtained or viewed at the Village Hall.

## Village of Midland – Clinton County

### Report on Accounting Methods

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#### Conclusion

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

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

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**Mary Taylor, CPA**  
Auditor of State

**VILLAGE OF MIDLAND**

**CLINTON 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  
JUNE 1, 2010**