



**Auditor of State
Betty Montgomery**

**Village of Piketon
Pike County, Ohio**

Report on Accounting Methods

Village of Piketon – Pike County

Report on Accounting Methods

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**Auditor of State
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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 Piketon was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Village and whether there are adequate controls in place to assure confidence in the records. The deficiencies and non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report and summarized in the conclusion. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the Village of Piketon; Billy Spencer, Mayor of the Village of Piketon; and Norman Bradsom; President Pro Tempore of Council.

A handwritten signature in black ink that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 4, 2005

Village of Piketon – Pike County

Report on Accounting Methods

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 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 Piketon. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Village of Piketon – Pike County

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The Village and Form of Government

The Village of Piketon (the “Village”) is a home rule municipal corporation governed by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Legislative authority is vested in a six-member Council. Operating as a statutory Village, Piketon must comply with all State laws governing Village government. The decision-making process is directed by an elected Village Council and Mayor.

The Mayor is the chief executive officer of the Village and serves a four-year term. The Mayor supervises the administration of the Village, has the right to make recommendations to Council, and has the power to appoint various Village officials. The Mayor is the President of Council and only has voting rights in the case of a tie. The Village operates a Mayor’s Court presided over by the Mayor of the Village. The Mayor may hear and determine cases involving violations of Village ordinances and all traffic violations within the Village, subject to certain statutory limitations.

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

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

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

Statutory Requirements

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

The Tax Budget: The Mayor prepares an annual tax budget for the period of January 1 to December 31 of the following year of estimated revenues and expenditures for all funds of the Village. The budget must be filed in the Village Clerk-Treasurer's office for public inspection ten days before adoption by Village Council. 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 Pike County Budget Commission by July 20 of each year.

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

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

On or about January 1, the Clerk-Treasurer 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 balance at December 31. Further amendments may be made during the year if the Clerk-Treasurer determines that the revenue to be collected by the Village will be greater than or less than the amount included in the official certificate.

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Report on Accounting Methods

Budgetary System

(Continued)

Appropriation Ordinance: 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 shall be classified so as to set forth separately the amounts appropriated for each office, department and division, and within each, the amount appropriated for personal services. Any revisions that alter the total of any fund appropriation or alter the levels adopted by Council must be approved by Council. The Village may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

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

Administrative Code Requirements

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

The legal level of control is the level at which spending in excess of budgeted amounts would be 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, which includes the Village, the minimum legal level of control is described in section 5705.38 of the Revised Code.

Method Used by the Village

The tax budget is developed with input from the Clerk-Treasurer, Mayor, Finance Committee, and Village Administrator. The previous year's annual financial report is used as part of the process. The tax budget is based on the prior year's receipts and expenditures and any new information for the next year available at the time the budget is prepared. There is no formal process for determining major capital expenditures. The tax budget for the next year is generally adopted by July 15 and submitted to the Pike County Auditor on, or before, July 20. The 2005 tax budget was approved by Council on July 12, 2004 and was received by the Pike County Auditor's office on July 20, 2004.

Council adopts a resolution to authorize the necessary tax levies and certifies the resolution to the Pike County Auditor on, or before, October 1. For 2005, Council passed the resolution to accept the tax rates on September 20, 2004.

The Village submits the Certificate of the Total Amount from All Sources Available for Expenditures, and Balances, which includes the actual year-end actual balances to the Pike County Budget Commission in order to obtain an Amended Certificate of Estimated Resources. For 2004, the certificate with the 2003 carryover balances was submitted January 15, 2004.

Village of Piketon – Pike County

Report on Accounting Methods

Budgetary System

(Continued)

In January, the Clerk-Treasurer prepares a temporary appropriation ordinance and Council reviews and approves it. For 2004, Council approved the temporary appropriations on January 19, 2004. Although the Village is required by the Ohio Revised Code to adopt an appropriation ordinance before spending monies, disbursements were made prior to the adoption of the appropriation ordinance. Council adopted a permanent appropriation ordinance on March 29, 2004. The legal level of control is established by Council at the program/activity and major object level.

Auditor of State Comments

- The Village does not update its long-term capital plan identifying anticipated projects and the means of financing the projects each year. Council should review the updated capital plan each year and incorporate it into the current year budget.
- The Village does not provide a ten-day notice in advance of the public hearing by Council on the annual tax budget as required by Section 5705.30 of the Ohio Revised Code.
- The Village does not compare estimated (budgeted) revenues to actual revenues during the year or request an amended certificate when increases or decreases in estimated revenues are appropriate.
- The Village does not compare available resources on the amended certificate to appropriations to ensure that appropriations do not exceed estimated resources.
- The Village allows actual expenditures at year-end to exceed the appropriated amounts authorized by Council.
- The Village should ensure that an appropriation ordinance is legally adopted by Council prior to disbursing monies.

Village of Piketon – Pike County

Report on Accounting Methods

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 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 individual funds. Revenue and expenditure codes should allow the transactions to be summarized by major revenue sources or expenditure programs. Major object codes for expenditures should be used consistently throughout the various program codes.

Statutory Requirements

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

Administrative Code Requirements

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

Methods Used by the Village

The Village uses an alphanumeric chart of accounts developed by the Auditor of State of Ohio and documented in the Village Officers' Handbook. The chart of accounts classifies by fund, program/activity, and object code. The chart of accounts uses an alphanumeric system that assigns a combination of a letter followed by a number for the fund number, a number identifying the program, a letter identifying the activity, and a three-digit number identifying the object. The above sequence of letters and numbers is the account code for the expenditure. Revenues use an alphanumeric system consisting of a letter and number to identify the fund, followed by a letter to identify the source of the revenue and then a three-digit number to identify the receipt code.

The Village has established only one fund since the Clerk-Treasurer took office. This fund was the Piketon Wastewater Treatment Plant Improvement Fund. The fund was set up according to directions from the County Auditor in order to receive the proceeds from the Community Development Block Grant.

Auditor of State Comments

None

Village of Piketon – Pike County

Report on Accounting Methods

Accounting Ledgers

Description of Effective Accounting Ledgers

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

Administrative Code Requirements

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 Clerk-Treasurer’s office. The cash journal presents receipts deposited to and warrants drawn against the Village treasury and the fund to which the receipts and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and warrants. The related pay-in order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-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.

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Accounting 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 warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Clerk-Treasurer 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.

Method Used by the Village

The Clerk-Treasurer uses a manual cash journal and receipt and appropriation ledgers as the accounting records. These pre-printed journal and ledger sheets are purchased from certain publishing companies within the State. Receipt transactions are recorded to the cash journal from a pay-in-order book, which reflects the amount of the transaction, payer's name, purpose, and the fund and receipt code. Expenditures are recorded in the cash journal from a voucher/check, which reflects the amount, payee, check number, and the fund program/activity, and object codes. Month-to-date totals for receipts and expenditures are recorded in the Village Treasury column and the individual fund columns.

Receipts are posted by the Village Administrator from the pay-in-order book by fund and receipt code. Each ledger sheet accommodates one account and has space at the top to record a detailed description for each account. The transaction information posted to each account includes the date, payer, purpose, receipt number, and amount. Month and a year-to-date totals are recorded at the end of the month for each account. The estimated revenue identified in the tax budget is recorded for each account and is periodically reduced.

Expenditures are recorded by the Village Clerk-Treasurer from the cash journal to the appropriation ledger by the fund program/activity, and object codes. Each ledger sheet accommodates one account and has space at the top to record a detailed description for each account. The transaction information posted to each account includes the date, payee, purpose, check number, purchase order number, and the check amount. Month and year-to-date totals are recorded at the end of the month for each account. The amount appropriated is posted to the each account and the unencumbered/unexpended balance is computed periodically.

Auditor of State Comments

- The use of manual journals and ledgers is not the most efficient and effective means of maintaining the accounting records considering the size of the Village and the number of transactions. The Auditor of State offers a computerized accounting system called the Uniform Accounting Network. The Village should consider acquiring this system to maintain its accounting records.
- The Clerk-Treasurer does not always record receipts and expenditures in the cash journal on a regular and timely basis. All required information, such as complete accounts codes, is not recorded and year-to-date totals are not computed each month. The receipts and appropriation ledgers are not reconciled with the cash journal and some of the account information at the top of each ledger page is left blank or improperly completed.

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Report on Accounting Methods

Receipt Transactions

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited at least daily. A pre-numbered, multi-part receipt form or a system-generated receipt form should be issued for any payment received by departments. The receipt should bear the name of the entity and reflect the date received, the payer, the amount, the purpose/nature of the receipt, and the signature or name of the person preparing the receipt. Departmental receipts should be summarized and remitted to the fiscal office daily. The fiscal office should issue pay-in-orders to those departments depositing daily collections to the fiscal office and for any payments received by the fiscal office. The pay-in-order forms should be a multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose/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 and filed numerically or by payer. All pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner.

Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or an 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 received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such a 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, 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 Piketon – Pike County

Report on Accounting Methods

Receipt Transactions

(Continued)

Method Used by the Village

The Mayor, Clerk-Treasurer, Village Administrator, and Mayor's Clerk are bonded. The Clerk-Treasurer is generally responsible for receiving moneys. However, if she is not present, the Mayor or Village Administrator may accept receipts. A pre-numbered, duplicate receipt book is maintained and a receipt is written for each amount received. A copy is given to the payer if the payment is made in person. The Clerk-Treasurer does not use pay-ins. The Clerk-Treasurer deposits the receipts daily and receipts are kept in a locked cabinet until deposited. If the Clerk-Treasurer needs to look up information about a specific receipt, she locates the transaction in the receipts book.

Clerk-Treasurer's Office

Taxes are received from the County Auditor. This includes real and personal property taxes and estate taxes. The check is for the net amount after auditor's fees are deducted. The Clerk-Treasurer writes a receipt for the check. The check is deposited with the daily deposit and the receipt number is recorded on the deposit slip. The Village Administrator uses the receipts to post the amounts received to the receipts journal and the Clerk-Treasurer posts them to the cash journal.

There are several types of funds that come from the State. These are gasoline taxes, motor vehicle taxes, and permissive motor vehicle license taxes. These funds are received by the Village via electronic fund transfers. The Clerk-Treasurer writes a receipt for these funds. The Village Administrator uses the receipts to post the amounts received to the receipts journal and the Clerk-Treasurer posts them to the cash journal.

The Village has a ledger that is updated by the Clerk-Treasurer when residents who have loans through the revolving loan fund make payments. The Village also has a ledger sheet for each loan and it is updated to reflect any payments. The Clerk-Treasurer writes a receipt for the loan payments and posts the payment to the cash journal and receipts ledger.

Mayor's Court

The Mayor's Court Clerk receives cash and checks relating to fines from individuals in person and through the mail. A receipt is written in the Mayor's Court receipt book and a copy given to the payer. The case number is obtained from the case cards that are maintained in alphabetical order and is written on the receipt. At the end of the day, the Mayor's Court Clerk deposits the money into the Mayor's Court bank account. Money collected by the Mayor's Court Clerk is kept in a safe in the Mayor's Court Clerk's office until it is deposited. The individual receipt numbers that make up that day's deposit are written on the back of the deposit slip.

The receipt is first recorded in the court docket by case number and then in a manual cashbook. The court docket and a case card are created as tickets are received from the police department or when a court summons is received. The docket contains the name of the defendant, violation, amount posted as bond, amount fined if found guilty, the appearance date, court costs, and a current balance of any money still owed to the Mayor's Court. Both the court docket and the cashbook are maintained by the Mayor's Court Clerk. Mayor's Court collections for the month are disbursed to the Village and other governmental entities early in the following month.

Village of Piketon – Pike County

Report on Accounting Methods

Receipt Transactions

(Continued)

Delinquent amounts of fines and costs are recorded with the person's name on an index card and maintained in a delinquent file. There is no formal policy for determining the collection of delinquent fines. However, in an attempt to collect delinquent fines, the Mayor's Court Clerk periodically checks the court docket to see if there are delinquent fines. If a fine has not been paid, a summons to court for failure to pay court fines and costs is issued to the defendant. If the defendant fails to appear in court, then an arrest warrant is issued for failure to appear. The Village also contracts with a collection agency in an attempt to collect delinquent monies.

Utilities

The Village provides water and sewer services to Village residents. Water service is provided only to residents of the Village. Sewer service is provided to Village residents and two subdivisions outside the Village corporation limits.

The utility billing clerk has the sole responsibility for billing, collecting, and depositing utility receipts. In addition, the utility billing clerk also enters the meter readings, generates the monthly bills, and posts all payments to the utility billing system. Money collected is kept in a locked drawer until it is deposited.

Water and sewer rates for each type of user are established by ordinance. The software applies water and sewer rates based on the type of user. The utility clerk enters the rates into the billing system when changes are approved by Council.

The utilities department employees read the water meters on or about the third Monday of each month. The meter readings are recorded in the meter books, which are arranged by street address. The utilities clerk enters the meter readings from the meter books into the utility billing software. If the meter book indicates that a customer's meter was not read, the clerk adds the name to a list and directs the water department employees to go read the meter. The utility clerk compares the current month's usage to the previous month as she enters the meter readings into the computer. If she detects large fluctuations in the usage, the employees are requested to recheck the meter and indicate the reason, if possible, for the variance. Under certain circumstances, such as bad weather, consumption is estimated by the billing software based upon historical consumption.

After the meter readings are entered into the utility billing software, the water and sewer bills are calculated and a billing journal is printed. The billing journal serves as the Village's copy of the month's bills. The bills are printed on preprinted forms that are mailed to the customers. The bills contain the customer's name, service address, type of service, service period, previous meter reading, current meter reading, amount of consumption, and the net and gross amounts of charges. Gross amounts are owed if not paid by the due date. Bills are mailed by the end of each month and payment is due by the 10th of the following month.

The billing journal indicates any adjustments to customers' bills. Adjustments include over and under payments and a \$5 credit for those that qualify for the homestead exemption credit on the property tax bill. The credit is granted upon the customer presenting their property tax bill as proof of eligibility for the adjustment. The \$5 credit is applied to the account by the computer using a rate code to identify qualifying customers.

Village of Piketon – Pike County

Report on Accounting Methods

Receipt Transactions

(Continued)

When bills are paid, the utility billing clerk writes the amount paid on the portion of the billing stub remitted with the payment and whether the payment was by cash or check. At the end of the day, the stubs are totaled and the calculator tape is saved. The cash drawer is counted and compared to the total for the billing stubs. \$100 is kept in the drawer at the end of each day to use for change on the following day. The payments are entered into the utility billing software and a daily receipts report is printed and compared to the calculator tape total for that day. The system applies payments first to water, then sewer, tap fees, and unallocated amounts. Unallocated moneys are amounts paid in excess of the amount currently owed to the Village and it is credited to the customers account and applied when charges are incurred. The unallocated amount is split 24 percent to water and 76 percent to sewer by the software system and is recorded in the Clerk-Treasurer's cash journal. After the billing stubs and daily receipts report are reconciled, a deposit slip is prepared for the amount of the collections. Utility collections are deposited daily and the deposit slips are submitted to the Clerk-Treasurer's office. At the end of the month, the utilities clerk provides the Clerk-Treasurer with the amount of receipts for the month for water and sewer collections. The Clerk-Treasurer posts this information to the cash journal and receipts ledger.

The utility billing clerk also maintains a cashbook that reflects the amount collected and deposited each day. At the end of the month, the Village Administrator compares the deposits recorded in the utilities cashbook to the deposits on the bank statement. She signs the cashbook to indicate that she has reviewed it and compared the deposits in the cashbook to the deposits on the bank statement.

On the 11th of each month, a penalty report is printed that which lists all past due accounts. The penalty report identifies all accounts to which a penalty has been applied for failure to make payment by the end of the month. The utility billing clerk uses this report for mailing out past due notices. Accounts that are outstanding for two months are sent a shut-off notice indicating there will be a discontinuation of service if payment is not made. Although the notice indicates the disconnection will occur if payment is not received in full, a partial payment is sufficient to avoid disconnection.

Auditor of State Comments

- There was receipt transactions recorded in the cash journal that did not have receipt numbers.
- Pay-in-orders are a form generally used by the Clerk-Treasurer'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 Clerk-Treasurer issues receipts rather than pay-in-orders. Receipts should be used by the various departments. Pay-ins should be used by the Clerk-Treasurer's office to document the receipt of money from the Mayor's Court and the Utility department as well as outside sources and for posting receipts to the accounting system.
- The Village Administrator does not review and sign the cashbook that identifies the daily receipts for the Utilities Department in a timely manner.
- The Utilities Billing Clerk is fairly new to the position and has a limited understanding of the software used to process the utility bills. In addition, the Village is in the process of migrating to the newest version of the software. The Village needs to obtain training on the new version of the software for the Utilities Billing Clerk, Village Administrator, and Clerk Treasurer.

Village of Piketon – Pike County

Report on Accounting Methods

Receipt Transactions

(Continued)

- The Village should perform a reconciliation of billings and collections to accounts receivable for each monthly billing cycle and the Village Administrator should review and sign it.
- The Mayor's Court should develop a written policy regarding the collection of delinquent fines.
- The utility billing clerk has the sole responsibility for billing, collecting, depositing utility receipts, and maintaining the accounting records. The Village Clerk-Treasurer and the Village Administrator should determine how to segregate some of the functions of the utility billing clerk and/or develop compensating controls that ensures utility receipts are properly recorded and deposited and that accounting records are properly maintained and accurate.

Village of Piketon – Pike County

Report on Accounting Methods

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. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose not extending beyond the end of the fiscal year. A general certification 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 items or for unanticipated emergencies.

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

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. 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. The Village Council has thirty days from receipt of such certificate to approve payment by resolution. If approval is not forthcoming within thirty days, there is no legal liability on the part of the Village. The Village's Clerk-Treasurer may approve amounts less than \$3,000 without Council approval.

Authority to Contract – Contracts are approved by the Village Council and executed in the name of the Village by the Mayor and the Clerk-Treasurer, except as otherwise specified by statute.

Village of Piketon – Pike County

Report on Accounting Methods

Purchasing Process

(Continued)

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 Clerk-Treasurer 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.

The Auditor of State has established a database pursuant to Section 9.24, Revised Code, in order to list all persons who have unresolved findings for recovery, dating back to January 1, 2001. To comply with Section 9.24, Revised Code, the Auditor of State’s office recommends that before entering into a public contract as described above, a state agency or political subdivision verify that the person does not appear in this database.

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 thirty days of the date it is submitted.

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.”

Village of Piketon – Pike County

Report on Accounting Methods

Purchasing Process

(Continued)

Method Used by the Village

The Village Administrator authorizes purchases under \$25,000 in the Utilities and Street Departments and the Police Chief authorizes purchases in the Police Department. The requests are made verbally to the Village Administrator or to the Mayor. The Village Administrator grants approval and records the authorization on a purchase order log. The purchase order log contains the name of the vendor, item ordered, date, purchase order number, department, amount of order, and name of the person approving the order. Each purchase authorized is assigned the next sequential purchase order number. The Village Administrator signs the purchase order log to indicate her approval of the purchase. In the absence of the Village Administrator, the Mayor verbally approves purchases. He notifies the Clerk-Treasurer who assigns the purchase order number and signs the purchase order log.

The Clerk-Treasurer completes and signs a three-part purchase order, which is created from the purchase order log, before the invoice is received. The purchase orders are kept in a box until the invoice is received. Orders are usually placed by telephone or the employees make purchases after receiving approval from the Mayor or Village Administrator. Employees are required to provide a copy of the receipt to the Village Administrator. Not all vendors request a purchase order number but one is provided to those who do request it. If a copy of the purchase order is requested by the vendor, the white copy is sent to the vendor. After the invoice is received, the yellow copy is filed numerically in a purchase order file and the pink copy is attached to the voucher and a copy of the check once the payment is made. If the white copy is not sent to the vendor, it is discarded after payment is made. Purchase orders are not recorded in the appropriations ledger.

The Village Council authorizes the Village administrator to advertise for bids for expenditures in excess of \$25,000 and authorizes a contract with the lowest and best bidder. The Village Administrator, the Village's engineering consultant, and interested parties such as vendors generally attend bid openings. The Village Administrator reads the bids. The Village's engineering consultant reviews the bids and makes recommendations to Council on which bid to accept.

Auditor of State Comments

- The Village should consider the use of purchase requisition forms to document the authorization of purchases.
- The Clerk-Treasurer does not certify funds prior to obligations being incurred. Purchases should be certified indicating that sufficient appropriations exist prior to the ordering of the goods or services. All purchase certifications should be encumbered in the appropriation ledger.
- The Village does not ensure that a vendor is not on the outstanding findings for recovery list established under Section 9.24 of the Ohio Revised Code.
- Purchase orders are prepared and stored in a box until the invoices are received. Purchase orders should be distributed to the vendors as authorization and documentation of the items and quantities to be purchased and to the departments to serve as a checklist for when the goods are delivered.

Village of Piketon – Pike County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

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

Statutory requirements

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

Section 5705.41, Revised Code, provides that no subdivision or taxing unit shall: (A) make any appropriation of money except as provided in Chapter 5705 of the Revised Code; (B) make any expenditure of money unless it has been appropriated as provided in such chapter; (C) make any expenditure of money except by a proper warrant drawn against an appropriate fund; and (D) make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer that the amount required to meet the obligation has been lawfully appropriated and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances.

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

No Certification – If no certificate of the fiscal officer is furnished as required, upon receipt by the 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 Council may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than three thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the 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 warrant in payment of a lawful obligation of the public office. Each voucher shall contain the date, purchase order number, the account code, amount, approval, and any other required information.”

Village of Piketon – Pike County

Report on Accounting Methods

Cash Disbursements

(Continued)

Method Used by the Village

When goods are received, the Clerk-Treasurer or Village Administrator inspects them to determine if the packing slip accurately reflects what was received and if there was any damage. The packing slip is reviewed and compared to the purchase order to see if the order is complete. If the order is not complete or if there is a problem with the order, the purchase order is left in the outstanding purchase order file until the problem is resolved. The packing slip is retained as part of the Village records.

When the invoice is received, the Clerk-Treasurer verifies the mathematical accuracy of the invoice and compares it to the purchase order to see if the invoice accurately reflects what was ordered. In instances where Village employees, upon prior approval, make several purchases from a vendor during the month, such as fuel purchases by the Police Department, the Clerk-Treasurer reconciles the individual receipts obtained at the point of sale by the employees to the invoice received at the end of the month. She then fills out a voucher for payment of the invoice.

Vouchers are completed for each disbursement before the disbursement is made. The voucher contains the original invoice, a copy of the check, purchase order, and any other relevant documentation to support the purchase. Vouchers are signed by the Village Administrator, Clerk-Treasurer, and Village Council members. Normally, the vouchers are submitted to Council for review before the disbursement is made. Sometimes, the disbursement is made with the signatures of the Village Administrator and Clerk-Treasurer and submitted to Council later for their review and signatures.

All checks, except payroll checks, are manually written and are on three part forms. The Clerk-Treasurer signs the checks. After checks are signed, the information is posted to the cash journal and appropriations ledger. The check number, amount, date, payee, and fund distribution are posted to the cash journal. The date, payee, purpose, check number, and distribution amounts are posted to the appropriations ledger. The original copy of the check is remitted to the vendor, the yellow copy is filed by month and the first letter of the payee's name in an expandable file folder. The pink copy is attached to the voucher packet and filed numerically.

Vouchers are maintained in check number sequence in the Clerk-Treasurer's office. Although the invoices are included in the packet with the check, they are not stamped "paid" when the distribution is made.

Auditor of State Comments

- Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation.
- Check numbers are not indicated on invoices nor are invoices stamped "paid".
- The Clerk-Treasurer does not use, when appropriate, a "Then and Now Certification" when a purchase order\certification is not made prior to the purchase being made.

Village of Piketon – Pike County

Report on Accounting Methods

Cash Disbursements

(Continued)

- The employee who checks an incoming order should sign the packing slip to indicate the order was physically checked and compared to the purchase order.
- Vouchers are signed by the village administrator, clerk-treasurer, and council members usually before funds are disbursed. Sometimes vouchers are signed by council members after the disbursement is made. The approval by council members is a control feature designed to help detect problems. The Village should adopt a policy whereby regular re-occurring vouchers or vouchers under a set dollar amount are paid with the approval of the mayor or village administrator and all other vouchers are approved by council or the finance committee of council before the disbursement is made. The policy should also allow approvals to occur in sufficient time to avoid late penalties.

Village of Piketon – Pike County

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 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. 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.

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 all members thereof, there shall be deducted a sum equal to two percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

Section 731.13 Revised Code, requires the legislative authority of 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 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.

Method Used by the Village

When Council creates a new position, or if there is a need to fill an already established position that is currently vacant, the Village Administrator, along with the Mayor, conducts the hiring process. The position is advertised in the newspaper seeking applicants. The Village Administrator and Mayor review the applications and conduct interviews with the applicants. The Village Administrator then hires the best candidate for the job. Council is then notified of the hiring of the new employee.

A personnel file is created for every employee when hired and documentation for Federal and State tax withholdings and withholdings for either the Ohio Public Employees Retirement System (OPERS) or the Ohio Police and Fire Pension Fund for all employees is kept in their personnel file. Upon being hired, each employee must fill out a W-4 for Federal tax withholding purposes and an IT-4 for State tax withholdings. An application form is also completed for the retirement pension deductions. The information from these forms is entered into the computer payroll program and into the manual payroll register.

Village of Piketon – Pike County

Report on Accounting Methods

Payroll Processing

(Continued)

Council passes a resolution each year, which establishes pay rates by job title and the pay of each employee by name. Most of the employees are paid on an hourly basis. The Village Administrator, Clerk-Treasurer, Public Works Supervisor, Zoning Officer, Village Solicitor, Magistrate and Police Chief are paid a monthly salary. Any changes to pay rates during the year are approved by a resolution of Council. There are 19 regular employees, including the Police Chief, and three part-time police officers.

Village employees are paid on a bi-weekly basis. The Clerk-Treasurer, Zoning Officer, Village Solicitor, and Magistrate are paid monthly. There is one week between the end of the pay period and the pay date. This allows time for the Clerk-Treasurer to calculate the payroll. All of the hourly employees except the police officers use time cards and a time clock to record their time worked. Time cards, as well as overtime and leave hours, for all employees except the police officers are approved by the Village Administrator. Employees are required to sign the time cards indicating their agreement with the recorded amount of time worked on the cards. If an employee wants to use leave time, he or she must fill out a request for leave. There are two separate forms: one for sick leave and one for vacation. The forms must be signed by the Village Administrator. The Village Administrator verbally requests that employees work overtime if there is a need and indicates on the employees' time cards the purpose of the overtime.

Police officers work according to a schedule assigned by the Police Chief and do not use time cards. The schedule for each week, which indicates the hours to be worked by each officer, is posted on a bulletin board in the police department office. If an officer needs to work overtime or use leave time, he or she must fill out a request for overtime or a request for leave. There are three separate forms: one for overtime, one for sick leave, and one for vacation. The forms must be signed by the Chief.

For each payroll, the Chief fills out and signs a summary schedule of hours worked by all officers. This summary also includes overtime hours worked and leave hours used. The summary is then submitted to the Clerk-Treasurer for calculating the payroll of the officers.

After the end of the pay period, the Village Administrator reviews the employee time cards. She checks to determine the hours indicated on the time cards were the authorized hours to be worked. She then signs the time cards and gives them to the Clerk-Treasurer. The Clerk-Treasurer enters the information from the time cards and the summary from the Police Department into the computerized payroll processing program. This program calculates the payroll for all employees, including all deductions and net pay. Then, a payroll time register of the hours worked by the employees is printed from the computer system. This report lists the hours worked, including overtime hours, for all employees for the pay period. The Village Administrator verifies the hours to the time cards for those employees using them and signs the report to indicate the review.

Payroll checks are then printed using the payroll computer program. Employees receive along with their checks a pay stub, which indicates hours worked, current and year-to-date deductions, and net pay.

The Clerk-Treasurer then prints a Payroll History Report, which contains a detail of the gross pay, deductions, and net pay for all employees. Council reviews and signs this report.

Village of Piketon – Pike County

Report on Accounting Methods

Payroll Processing

(Continued)

The Clerk-Treasurer also maintains a manual payroll register for each employee as well as the computer files. This serves as a back-up record. The manual payroll register contains the time worked, amounts paid, and deductions. A manual form is used to record and track employee sick and vacation leave balances. Each month, she fills out a handwritten form, which lists all employees with their gross pay, deductions, and net pay. The form contains a summary, which totals amounts by fund. The Clerk-Treasurer then reconciles these totals to the monthly totals on the payroll history report. Once she knows the totals on the handwritten form match the totals on the “Payroll History Report”, she uses the information from the handwritten report to write the checks to the appropriate taxing authorities and pension administrators. The checks for the tax withholdings and pension payments are manually typed checks.

The information from the employees’ payroll register is used at the end of the year to complete the W-2 forms, which are mailed to the employees before January 31.

Most of the employees of the Village pay into OPERS. Full-time police officers pay into the Police and Fire Pension Fund, while part-time officers pay into OPERS. The Village also contributes a required amount into both pension plans.

Both Federal and State withholding payments are made once a month and are due by the 15th. A check is written to the bank for the Federal withholdings, which then makes an electronic payment to the Internal Revenue Service. The check for the State withholdings is sent directly to the State Treasurer. The monthly reporting and payments to the Ohio Public Employees Retirement System and to the Ohio Police and Fire Pension Fund are due by the end of the following month. The employer’s portion of OPERS is paid monthly and the employer’s share of OP&F is paid quarterly.

The Village has a formal employee handbook which is given to all employees. It contains policies regarding the benefits, conduct, and responsibilities of Village employees and changes are approved by Council. It was noted that the office copy of the handbook had not been updated with changes to policies approved by Council.

Auditor of State Comments

- Police officers are not required to use time cards or document that they agree with the hours submitted by the Police Chief to the Clerk-Treasurer. Each police officer should maintain a time sheet that is signed by the officer and submitted to the Chief each pay period.
- The Employee Handbook is not updated with the most recent policies.

Village of Piketon – Pike County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt should be passed by Council. The statute authorizing the issuance 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 insure the timely payment of both principal and interest.

Statutory Requirements

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

Method Used by the Village

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

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Original Issue Amount</u>	<u>Outstanding Amount as of 9/30/2005</u>	<u>Final Maturity</u>
Loans Payable					
Ohio Water Development Authority	2/23/1989	8.07%	\$1,308,331	767,961	07/01/14
Ohio Public Works Commission	7/1/1999	0.00%	351,499	289,988	07/01/22
Leases Payable					
Pitney Bowes	1/1/2004	--	1,956	978	01/30/07
Avaya	7/1/2004	--	9,617	7,373	07/16/09

Loans

The Ohio Water Development Authority loan was for a water treatment plant upgrade.

The Ohio Public Works Commission loan was for a water treatment plant upgrade. This loan is an interest-free loan.

Leases

The lease with Pitney Bowes Credit Corporation is for a postage meter.

The lease with Avaya is for a phone system from Lucent Technologies.

Village of Piketon – Pike County

Report on Accounting Methods

Debt Administration

(Continued)

Auditor of State Comments

- The Village posts both debt principal and interest payments to the principal object code. The principal and interest should be posted to their respective object codes according to the chart of accounts.
- The Village was late on a number of lease payments.

Village of Piketon – Pike County

Report on Accounting Methods

Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets

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

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all local public offices should maintain 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.

Method Used by the Village

The Village does not have any capital asset policies. There is a directive from the Mayor in the minutes setting policy for the proper storage of Village vehicles when not in use. It states that all vehicles and the backhoe are to be parked inside the fenced area at the Village garage. The fenced area is kept locked at night. Only full-time employees have keys to Village vehicles. Employees are not permitted to use Village vehicles for personal use.

The Village has a list of assets for insurance purposes. All of the Village's vehicles are listed on the insurance policy. The insurance policy also includes all buildings owned by the Village, backhoe, and riding mowers. Computers and miscellaneous equipment are not listed separately but are covered under unscheduled assets.

Annually, each department takes an inventory of the assets. The Village Administrator and Police Chief are responsible for overseeing the taking of the inventory. The lists from the departments include capital assets and consumable inventory. The lists are used for updating the insurance report. Annually, a representative of the insurance company meets with the Clerk-Treasurer and Village Administrator to update the list of insured assets. The insurance company updates the policy so that the list of insured assets is current.

Auditor of State Comments

- The Village does not have policies and procedures established to account for and track capital assets.

Village of Piketon – Pike County

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. Moneys 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. Investment transactions should be conducted in accordance with policies adopted by the Clerk-Treasurer or Village Council. The deposits of public money should be insured and/or collateralized to insure repayment of public moneys deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

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

Statutory Requirements:

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

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

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

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

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

Village of Piketon – Pike County

Report on Accounting Methods

Cash Management and Investing

(Continued)

Method used by the Village

The Village has a general bank account and an account for the Mayor's Court. The Village does not have any investments. The Mayor's Court Clerk reconciles the Mayor's Court bank account. The Clerk-Treasurer reconciles the bank balance with the Village's accounting records each month. The balances for each fund as recorded in the cash journal are put into the monthly reconciliation. The monthly reconciliation presents the cash fund balances on the left hand side at the top and adds the outstanding checks to arrive at the bank balance on the right hand top portion of the reconciliation. The total of this column must match the bank balance. At the bottom of the reconciliation, the beginning of year balances, cumulative revenues and expenditures, and the ending balances are presented. The last row of the reconciliation presents the current fund balances, which reconcile to the cash journal balance row at the top.

The Mayor's Court Clerk performs the bank reconciliation for the Mayor's Court account after receiving the monthly bank statement. The Mayor's Clerk maintains a manual cashbook. The bank reconciliation and open items list is maintained in the cashbook. The open items list represents receipts that have not been distributed at the end of the month. Generally, all moneys are distributed either to the Village or to the State. The exception would be if a bond that had been posted were refunded to the person who posted it. A check is written to the Village each month and checks are distributed to the State agencies monthly as well. Reports are completed for the amounts sent to the State.

The Village has a change fund established for the Clerk-Treasurer, Police Department, and the Village Administrator. Each change fund is \$100 but the amount authorized by resolution is \$50 for each fund. The funds are used to make change for over the counter collections in the Village Clerk-Treasurer's office, the Mayor's Court Clerk's office, and the Utilities Department. These change funds were taken from the funds of the Village and are not presented on the monthly bank reconciliation.

Auditor of State Comments

- The Village maintains change funds that exceed the amount authorized by Council. The Village should reduce the amount in the funds to the authorized level or amend the resolution to reflect the amount it wants to maintain in the funds. The change funds should be included in the monthly reconciliation.
- The Village did not file a statement with the State Treasurer's office indicating that the Clerk-Treasurer is exempt from the continuing education requirement as specified in Ohio Revised Code Section 135.22.
- The Village does not invest cash that is being held in the general checking account. When the Village has cash in the bank in excess of what is needed to pay current liabilities, it should invest those funds. The Village should investigate investing funds in STAR Ohio.
- The Mayor does not review the monthly reconciliation of the Mayor's Court cashbook to the bank statement.

Village of Piketon – Pike County

Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

The Village Clerk-Treasurer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the Village. In addition, information concerning the estimated and actual receipts, appropriations, disbursements, and encumbrances should be presented for Council's review. On an annual basis, the Village Clerk-Treasurer 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 a financial report be filed with the Auditor of State within sixty 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."

Administrative Code Requirements:

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

Method Used by the Village

The Clerk-Treasurer prepares the Village's annual financial report on the cash basis of accounting. The report provides for the classification of funds by fund type, and includes combined and combining fund type statements. A notice is published in the newspaper upon filing the report with the Auditor of State indicating that the report is available for inspection in the Clerk-Treasurer's office.

The Clerk-Treasurer provides Council members with a monthly fund balance report that includes the beginning of the year balances, ending balances for the current month, and year-to-date receipts and disbursements. Budget and actual information is presented to Council after year-end as part of the annual financial report.

Village of Piketon – Pike County

Report on Accounting Methods

Financial Reporting

(Continued)

Auditor of State Comments

- Council has not defined, by ordinance, the type or frequency of the financial information to be reported to Council. The Clerk-Treasurer should give to Council monthly a statement that provides the beginning and ending cash balances and the year-to-date receipts and disbursement for each fund and summary data for estimated and actual receipts and appropriations and expenditures for each fund. Similar information but with more detail should be provided to all department heads on a monthly basis.
- The estimated receipts and appropriations reported in the annual financial report should agree with the certificate of estimated resources and the appropriations approved by Council and reported in the accounting records.

Village of Piketon – Pike County

Report on Accounting Methods

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 Clerk-Treasurer 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.

Village of Piketon – Pike County

Report on Accounting Methods

Official Proceedings

(Continued)

Method Used by the Village

The Clerk-Treasurer takes hand-written notes of the proceedings of each Council meeting during the 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 Clerk-Treasurer.

The approved minutes are kept in a three ring binder and stored in the Clerk-Treasurer's office. The office is locked when no one is in it, including times when the Clerk-Treasurer and Village Administrator are temporarily out of the office.

Each proposed ordinance or resolution is read by title on three different Council meetings with a vote by the members after the third reading. If the ordinance or resolution is to be approved as an emergency, Council waives the three readings and votes on the legislation.

Auditor of State Comments

- The Village has not established a records commission required by Ohio Revised Code Section 149.39.
- Ordinances are not always published according to Ohio Revised Code Section 731.21.
- Resolutions and ordinances are not maintained in a Resolution or Ordinance Book.
- Minutes of bid openings are not maintained.

Village of Piketon – Pike 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 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 Piketon 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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VILLAGE OF PIKETON

PIKE 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
NOVEMBER 9, 2005**