



**Auditor of State  
Betty Montgomery**

**Village of Russells Point  
Logan County**

**Report on Accounting Methods**

**Local Government Services**

**Village of Russells Point - Logan County**

**Report on Accounting Methods**

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**CERTIFICATION**

In compliance with the requirements set forth in section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Russells Point was conducted. This report on accounting methods states 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. Therefore, pursuant to section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the Village of Russells Point; Greg Iiams, Mayor of the Village of Russells Point; and Dave Leonard, President Pro-Tempore of Village Council.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

November 9, 2006

## Village of Russells Point - Logan County

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#### Purpose

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

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

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Village of Russells Point. 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 Russells Point - Logan County

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#### Governance Overview

The Village of Russells Point (the Village) is located in west central Ohio in Logan 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, Russells Point must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor.

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

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

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

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

On May 12, 2005, the Village was declared to be in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Revised Code section 118.05. Commission membership is as follows:

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

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#### Governance Overview

(continued)

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

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

This Commission is required to adopt a financial recovery plan for the Village within one hundred twenty days of its first meeting. The recovery plan was submitted to the Commission on October 5, 2005. By State statute, the Village must operate within the provisions of the recovery plan.

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

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

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

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#### **Budgetary System**

##### **Description of an Effective Budgetary System**

The legally adopted annual budget plays a unique and central role in determining the amount and the type of financial resources that shall be raised and how those financial resources shall 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 receipts and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized receipts and balances available for disbursement.

##### **Statutory Requirements**

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

**Tax Budget:** The Mayor prepares an annual tax budget of the estimated resources and disbursements for all funds of the Village for the period of January 1 to December 31 of the following year. The budget must be filed in the Clerk Treasurer's office for public inspection ten days prior to adoption by Village Council. At least one public hearing must be held for discussion of the budget. Village Council is required to adopt the budget by July 15 and the budget must be submitted to the Logan 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. On or about October 1, Village Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

The County Budget Commission may, by an affirmative vote of a majority of the budget commission, waive the requirement that the 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 upon information provided in the tax budget and other information available to the Budget Commission.

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#### Budgetary System

(continued)

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

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

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 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 weeks notice, approval of the Village Council, and submission to the County Budget Commission, which shall fix the total maximum tax levy permitted to the Village for the ensuing year.

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

Section 705.19 of the Revised Code provides that no money shall be drawn from the treasury of a municipal corporation, except in pursuance of appropriations made by the legislative authority, and whenever an appropriation is so made, the clerk shall forthwith give notice to the Auditor and 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.

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### Report on Accounting Methods

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#### **Budgetary System**

(continued)

#### **Administrative Code Requirements**

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

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

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

The County Budget Commission has waived the requirement to file a tax budget. The County Budget Commission submits property tax rates and amounts to the Village in September. The Village passes a resolution accepting the rates and amounts as determined by the County Budget Commission and certifies the resolution to the County Budget Commission by October 1.

By January 31 of each year, the Village is required to submit to the County Budget Commission the Total Amount of All Sources Available for Expenditures and Balances. From this document, the County Budget Commission returns to the Village a Certificate of Estimated Resources.

The Mayor and Clerk Treasurer prepare the permanent appropriation ordinance for all funds prior to the beginning of the new year. Appropriations are set at the fund and department level for the General Fund, the Mortgage Debt Service Fund, and the Water Operating Fund, and at the fund level for all other funds. The appropriation ordinance is presented and approved by the Village Council. The County Budget Commission requires the appropriation ordinance to be certified to them by March 31. The County Budget Commission verifies that appropriations, by fund, do not exceed the current amended certificate of estimated resources. As supplemental appropriation ordinances are made throughout the year, the Village certifies the appropriations to the County Budget Commission.

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

- Section 5705.39 of the Revised Code requires that total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Clerk Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

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#### **Budgetary System**

(continued)

- The Village Council approves appropriations at the fund and department level for the General Fund, the Mortgage Debt Service Fund, and the Water Operating Fund, and at the fund level for all other funds. Section 5705.38(C) of the Revised Code requires that 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. The Village Council should set the legal level of appropriation at the level required by statute or at the major object level for each department/activity within each fund.
- The Village does not prepare a tax budget or 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. This ordinance is not currently being completed.

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### Report on Accounting Methods

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#### Chart of Fund and Account Codes

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

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

##### Statutory Requirements

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

##### Methods Used by the Village

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

Village staff members that code their own purchase requisitions continue to use the alpha-numeric codes utilized by the Village's previous computer software. .

##### Auditor of State Comments

- Village staff members that code their own purchase requisitions use the alpha-numeric account codes. The Clerk Treasurer needs to compile a new chart of accounts and provide it to staff members.

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### Report on Accounting Methods

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#### Accounting Ledgers

##### Description of Effective Accounting Ledgers

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

##### Administrative Code Requirements

Ohio Administrative Code section 117-2-02(A) requires that all local public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record, and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance related legal and contractual requirements, and prepare financial statements required by Ohio Administrative Code section 117-2-03.

Section 117-2-02(C) (1) of the Ohio Administrative Code requires 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.

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

Cash Journal: The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the 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 to be recorded.

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

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#### Accounting Ledgers

(continued)

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

#### Methods Used by the Village

The Village recently converted from another computer system to the Uniform Accounting Network (UAN). All reports required by the Revised Code are available and accessible with the UAN software.

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

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#### Receipt Transactions

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

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited in accordance with State statute. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The receipt should 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 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 or nature of the receipt, the account code, and the signature or name of the person preparing the pay-in-order. Supporting documents should be attached to a copy of the pay-in-order. All receipts or pay-in-orders should be recorded in the cash journal and receipts ledger in a timely manner. Adequate safeguards should be in place to ensure that one individual does not have total control over the receipting of monies, depositing of monies, posting of receipts, and reconciliation of bank accounts.

##### Statutory Requirements

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

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

##### Administrative Code Requirements

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

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Receipt Transactions

(continued)

#### Methods Used by the Village

Summary of General Receipts: Receipts from state and local sources are received in the mail by the Clerk Treasurer in the form of checks and by direct deposit. Miscellaneous receipts consist mostly of donations, zoning/building permits, and copies which are received in by the Utility Clerk and/or the Mayor's Court Clerk. The Utility Clerk and/or the Mayor's Court Clerk prepares a deposit for general receipts and takes it to the bank. The deposit slip, date stamped by the bank, along with supporting documentation is given to the Clerk Treasurer. The Clerk Treasurer prepares a system generated receipt for each receipt making up the deposit.

A copy of the system generated receipt is three-hole punched and put in a binder. The supporting documentation is attached to the deposit ticket and filed in the Clerk Treasurer's office. A copy of the receipt goes to the Utility Clerk and/or the Mayor's Court Clerk when requested. Once the receipts are entered into the computer, a report is generated to verify the data entered to the actual deposit slips. This report and the deposit slips are used at the end of the month to prepare the bank reconciliation. All deposits are kept in a locked filing cabinet within the Clerk Treasurer's locked office until the deposit is taken to the bank.

All employees who receive cash are bonded.

Summary of Utility Receipts: The Village provides water service to its residents. Every property owner is required to complete an application for water service. The Village does not require a deposit for water service.

The Utility Clerk checks the computer for any outstanding balances. If there is an outstanding balance that cannot be collected from the previous owner, that outstanding balance is put on the new property owner's account. The balance must be paid in full before water service is activated.

If a property owner wants to rent the property, the property owner fills out a form allowing the account to stay in the property owner's name, but the bill is sent in care of the tenant to the tenant's mailing address.

Annually, prior to the second Monday in September, the Village certifies all delinquent accounts over \$50 to the County Auditor for collection with an owner's property taxes. Once certified, the outstanding balance is removed from the property owner's account. If a customer attempts to pay a bill that has been certified to the County Auditor, the payment is returned or refused since the balance will be collected with the property taxes.

Individuals can pay their bill by bringing their payment to the water department in the municipal building, by mailing it, or by dropping it off in the night drop box. Water bills/payments are received by the Utility Clerk, Mayor's Court Clerk, or the Clerk Treasurer. Collections are kept in a locked box prior to being deposited at the bank. The locked box is kept in a safe located in the municipal building.

When a payment is received in person, the Utility Clerk stamps the customer's stub with the date paid, writes the customer's check number on the stub, or stamps it Cash (if paid in cash), and writes the amount paid if different than the billed amount. If paid by check, the check is immediately stamped with the endorsement stamp.

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### Report on Accounting Methods

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#### Receipt Transactions

(continued)

When mail payments and night drop box payments are received, the payments are opened by the Utility Clerk or the Mayor's Court Clerk. The checks are immediately stamped with the endorsement stamp and the check is paper clipped to the billing stub. Payment amounts are written on the billing stub.

The cash drawer is counted at the start and at the end of each day. The Clerk Treasurer counts the cash drawer once a month to verify there are no overages or shortages. The Mayor checks the cash drawer over the weekend to see if it equals the cash balance plus payments received since the prior bank deposit.

The payments are entered into the computer in batches of twenty-eight or less by the Utility Clerk. A receipt is printed as each payment is entered into the computer. The receipt lists the service address, account number, receipt number, customer's name, payment date, service type (water), check number, and cash or money order amount.

After each batch of payments is entered, an Edit List Report is printed. The payment noted on each bill stub is compared to the Edit List Report. The Edit List Report total is compared to total for the billing stubs and the total receipts. After verifying that all totals agree, a deposit ticket is prepared and the batches are posted, which updates each account, and the bill stubs are thrown away. The system printed receipts are used as the official record of the payment. After the deposit is made at the bank, the deposit ticket, Edit List Report, receipts, and calculator tapes are given to the Clerk Treasurer. The Clerk Treasurer posts the total of the utility collections for that day, prints a UAN system generated receipt, and attaches it to the support documentation and files it.

The water meters are read starting approximately the fifteenth of each month. It generally takes three to five days to read all meters. The process begins with the Utility Clerk loading the hand-held reading unit with the account and route information from the utility billing system. Once the meter reading is completed, the hand-held unit is returned to the Utility Clerk for processing.

The meter readings captured in the hand-held unit are transferred to the utility billing software by the Utility Clerk. A Meter Exceptions Report and Master Route Report are generated by the computer. The results of the meter readings are reflected on the computer under the Billing Tab, Verify/Edit. The Utility Clerk and/or Clerk Treasurer reviews the Master Route Report comparing current consumption to historical consumption to identify possible meter reading errors.

The Utility Clerk prepares a list of suspected reading errors. The list is given to the water department staff to read the meter again. If the initial reading was in error, the new reading is entered, the bills are calculated, and a Bill Register Report is generated. The Bill Register Report is checked by the Utility Clerk and/or Clerk Treasurer for amounts billed which appear to be unreasonably high or low. Many times an error can be detected on this report which was not caught on the Master Route Report. Once the Bill Register Report has been checked and all errors corrected, the bills are printed. The bills are sorted under postal regulations and sent out via a first class mailing permit. The bills are mailed out the last week of the month and are due on the 15<sup>th</sup> of the following month. Each month's reports and re-reads are put in a file for future reference.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Receipt Transactions

(continued)

Amounts not paid by the 15<sup>th</sup> of the month have late penalties applied. All accounts two months delinquent receive doorknockers the third week of the month. Each person is given approximately three to five days to pay their bill before their water is shut off. If it is necessary to shut off water for non-payment, a second doorknocker is put on the property and a \$25.00 maintenance fee is added to the account. A list of customer shut offs each month for non-payment is given to the Board of Public Affairs.

The Board of Public Affairs approves billing adjustments and recommends water rate changes to the Village Council.

Summary of Mayor's Court Receipts: Traffic tickets are written from pre-numbered books. New ticket books are given to the police officers when their previous books are used. All unissued ticket books are kept by the Police Chief.

At the end of each shift, citations issued are placed in the Mayor's Court Clerk's office for further processing. Police officers do not collect for citations when issued. Police officers provide the phone number for ticket recipients to call for costs and payment or appearance instructions. Bond amounts, which represent the fines and costs for the violation, are set and approved by an ordinance of Village Council. Bond amounts and fees are written on the ticket.

The Mayor's Court Clerk maintains a permanent docket, assigns a case number to each citation, and prepares a case jacket (folder used to organize all supporting paperwork). Records of all tickets issued (traffic, parking, and warning) are logged into the computer by the Mayor's Court Clerk.

A pre-numbered receipt book is used by the Mayor's Court for all receipts. The original receipt is given to the payor and the copy is retained. The Mayor's Court Clerk posts all payments from the receipt book to the docket (which is the listing of scheduled court proceedings), checkbook ledger, and ticket jackets. The Mayor's Court Clerk verifies that the total receipts posted for the day agrees with the docket and checkbook ledger.

A deposit is prepared by the Mayor's Court Clerk and either the Mayor's Court Clerk or the Utility Clerk deposits the receipts into the Mayor's Court bank account. The date of the deposit is recorded on the left side of each receipt in the Mayor's Court receipt book.

The Mayor's Court Clerk maintains a spreadsheet throughout the month that identifies the source and distribution for each receipt. Distribution categories include state and local court costs, bond, fine, seatbelt, DUI, parking, and miscellaneous. The distribution categories represent the amounts disbursed in the subsequent month to the Village, State of Ohio, Bureau of Motor Vehicles, and other local governments and state agencies. At the end of each month, the Mayor compares the receipts issued for the month to the transactions recorded in the spreadsheet. The Mayor reviews and signs the Mayor's Report. The Village Council reviews and approves the Mayor's Report each month.

State fees, seat belt and child restraint fines are established by the State of Ohio and remitted each month to the Treasurer of the State of Ohio. The remittance form is reviewed by the Mayor and compared to the Mayor's Report.

The Mayor reviews all checks written from the Mayor's Court bank account and is the only authorized signature on the account. All documentation for disbursements is submitted and reviewed by the Mayor.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Receipt Transactions

(continued)

The monthly bank statement is promptly reconciled with the checkbook ledger and check stubs by the Mayor's Court Clerk. The Mayor reviews the bank statements and reconciliation and initials them upon review.

The Mayor's Court submits annually to the Ohio Supreme Court, registration and quarterly case disposition reports.

Summary of Income Tax Receipts: The Village implemented an income tax effective January 1, 2005. All Village residents eighteen and older are required to file an annual income tax return due on April 30<sup>th</sup>. Residents and businesses are taxed at a rate of 1 percent of his/her gross wages or earned income. The Village Council approved the tax rate by ordinance and all income tax revenue is to be recorded in the General Fund. Income tax withholdings, quarterly estimates, and payments filed with the return are sent to Central Collection Agency (CCA) which handles the administration of the income tax. The CCA fee is deducted from the monies that are collected each month before a check is sent to the Village. This fee is based on the amount that is collected but shall not exceed 5 percent. The Village receives a report from CCA with the check reflecting the amount of income taxes collected during the month less the collection fee. The Clerk Treasurer records the gross amount of income taxes collected in the accounting system and records the collection fee as a disbursement.

CCA handles any noncompliance by mailing notices to the resident or business and requires a court appearance.

#### Auditor of State Comments

- The date reflected on the deposit slip by the Utility Clerk is not always the day that the deposit is actually made. The actual date of deposit can be up to two days later. This generally occurs for those deposits prepared on Tuesday afternoon. Because the Village office is closed on Wednesday, it may not be deposited until late Thursday and marked by the bank for the next day's business, which is Friday. 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.
- The billing stubs received with the utility payments are destroyed after the payments are posted. The billing stubs should not be disposed of prior to the completion of an audit.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Purchasing Process

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

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

##### Statutory Requirements

Several State laws govern the purchasing process. The requirements are as follows:

Certification of the Fiscal Officer - Each contract or order for the 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 year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate needs to 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 expenditure that is a recurring and reasonably predictable operating expense.

## Village of Russells Point - Logan 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 thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Village.

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

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

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

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

Per Auditor of State Bulletin 2004-006, a contract for purposes of Section 9.24 of the Revised Code is awarded when a written agreement is executed pursuant to a formal competitive contracting procedure that may include competitive bidding, requests for proposals, or invitations to bid. A purchase arrangement that does not involve competitive contracting procedures does not constitute the awarding of a contract and is not subject to Revised Code section 9.24. For purchases made 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 Russells Point - Logan 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 fiscal year, received contracts from the State agency or political subdivision, the aggregate of which exceeded \$50,000.

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

#### Administrative Code Requirements

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

#### Methods Used by the Village

When an employee determines that a purchase needs to be made, he/she completes a purchase order request form. The purchase order request form provides the following information: requestor, department, date, vendor name and number, vendor address, quantity, description, amount, and fund number. The Mayor reviews and signs all requests prior to the issuance of a purchase order and forwards them to the Clerk Treasurer.

Purchase orders for Village Council and the Board of Public Affairs are distinguished by the color of the paper. Village Council’s purchase orders are printed on white paper and the Board of Public Affairs are printed on blue paper. The Village primarily uses super blanket purchase orders. The super blanket purchase order includes only a purchase order number, account code, and the dollar amount. Regular purchase orders include the purchase order number, vendor name and address, a description of the items, amount per unit, total quantity requested, account code, Clerk Treasurer’s certification, and Village Council or Board of Public Affairs approval.

The Clerk Treasurer establishes a purchase order in the computer system and prints two copies with the Clerk Treasurer’s signature certifying that sufficient appropriations are available to cover the disbursement. One copy of the purchase order is given to the employee requesting the purchase. The other copy of the purchase order is placed in a binder and kept in the Clerk Treasurer’s office. Once a copy of the purchase order has been provided to the employee, an order can be placed with the vendor for the items requested. If the vendor requests a copy of the purchase order, it is faxed to them to expedite the order process.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

When a purchase order is exhausted or the purchase has been completed, the purchase order is closed. At the end of the year, all purchase orders are closed. The only purchase orders that are not closed are those that have a recorded and outstanding purchase against them awaiting delivery or payment.

On occasion employees will acquire goods and then provide the information to the Clerk Treasurer for the preparation of a purchase order. The Clerk Treasurer creates a regular purchase order and certifies/signs it and places it in a file with the rest of the invoices to be paid.

#### Auditor of State Comments

- The Clerk Treasurer does not utilize a Then and Now Certificate when employees acquire goods without prior approval and certification.
- Super blanket purchase orders are used for all purchases rather than those for goods or services defined in State statute.
- All purchase orders are approved by Village Council. The approval by Village Council is unnecessary. The appropriate approval, which is taking place, is the Mayor's approval of the requisition and the Clerk Treasurer's certification of the availability of funds and appropriations.
- The Clerk Treasurer's certification of purchase obligations indicates that sufficient appropriations exist or funds for payment are in the process of collection when payment is due. Because the Village has deficit fund balances, the software safeguard preventing the issuance of a purchase order when there are insufficient appropriations has been turned off. The Clerk Treasurer must verify prior to the issuance of each purchase order that there are sufficient appropriations for the purchase obligation that is being certified.
- The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.
- A copy of the purchase order should be sent to every vendor.
- The Village does not require new vendors to submit information before a purchase order is completed. The Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Cash Disbursements

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

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

##### Statutory Requirements

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

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

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

Certification: If no certificate of the fiscal officer is furnished as required, upon receipt by the Village Council of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Village Council may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without such affirmation of the Village Council, if such disbursement is otherwise valid.

##### Administrative Code Requirements

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

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Cash Disbursements

(continued)

#### Methods Used by the Village

When the goods arrive, the employee will verify with the packing slip and purchase order that the correct goods and quantities have been received. Generally the employee will receive the invoice in the mail shortly after the goods have been received. The employee will verify the invoice to the packing slip and purchase order to ensure the correct products were received as well as the correct quantities and unit price. The invoice with the attached purchase order and packing slip is forwarded to the Clerk Treasurer for payment. If there is an error on the invoice, the employee contacts the vendor for correction.

The Clerk Treasurer compares the invoice to the purchase order to make sure the Village is being correctly invoiced for what was purchased. All invoices are approved by the Mayor when checks are ready for signature. Generally, the Clerk Treasurer takes the voucher packet which contains the purchase order, invoice, packing slip, and check to the Village Council and/or the Board of Public Affairs meeting for review. If the due date is before the next scheduled Village Council and/or the Board of Public Affairs meeting, the Clerk Treasurer pays the invoice and submits the voucher packet at the subsequent Village Council and/or the Board of Public Affairs meeting. This is in an effort to avoid late payment fees. Disbursements of this type include payment for postage stamps, petty cash items, or payroll expenses such as taxes.

The Clerk Treasurer processes payments through the computer system. The check that is printed is a three-part document. The check plus the second part are included with a copy of the invoice and sent to the vendor for payment. The third part is attached to the invoice, purchase order, and any other supporting documentation and is filed by check number in the Clerk Treasurer's office. Unused checks are locked in the Clerk Treasurer's office in the municipal building.

The Clerk Treasurer and Mayor are the only persons that have access to the UAN software. The Mayor's access is limited to printing reports. The Mayor reviews detailed reports. Village Council and the Board of Public Affairs have chosen not to receive detailed information. They review a one page summary of activity each month.

#### Auditor of State Comments

- Invoices that exceed the amount of the purchase order, generally caused by shipping or freight, are processed for payment without proper authorization. When a difference occurs, a then and now certificate should be prepared.
- The Clerk Treasurer takes the vouchers to the Village Council and the Board of Public Affairs meetings for approval before the checks are printed, signed, and mailed. There is no legal requirement for Village Council or the Board of Public Affairs to approve the issuance of a check or payment of a bill. This is an internal control procedure that may need to be changed so that bills can be paid timely. We suggest that regular routine bills be paid when due and that the Village Council and the Board of Public Affairs approve all other bills before payment is made. A check register reflecting the regular routine bills paid can be presented at each meeting.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Payroll Processing

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

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

##### Statutory Requirements

The following State statutes apply:

Section 705.13 of the Revised Code requires the legislative authority of a municipal corporation to set, by ordinance, the salary of its members so that each shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members thereof, there shall be deducted a sum equal to 2 percent of such annual salary. Absence for ten successive regular meetings shall operate to vacate the seat of a member, unless such absence is authorized by the legislative authority.

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

##### Methods Used by the Village

Village Council approves all new employees. Village Council approves pay rates and raises. All newly hired employees complete the required forms for withholdings such as federal and state forms and insurance and are on file in the Clerk Treasurer's office.

Timesheets are completed by each employee reflecting the date and hours worked. Blank timesheets are kept with department heads and available for employees as needed. The employee signs and dates the timesheet. Employees that have a direct supervisor have their timesheets signed by their supervisor. The Mayor approves timesheets for supervisors and any employee who does not have a direct supervisor.

All timesheets are given to the Clerk Treasurer who calculates the number of hours worked and, for those employees who work in multiple departments, allocates the hours to the applicable departments on a percentage basis set by the Mayor.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### **Payroll Processing**

(continued)

Employees accrue sick leave and vacation leave. Employees may also be eligible for holiday leave and compensatory time. The Clerk Treasurer updates each timesheet to reflect the previous balances for each leave type, the amount earned in the current period, the amount used in the current period, and the ending balance. For hours worked in excess of forty hours, employees earn compensatory time at time and one-half rather than receiving overtime pay. The forty hours may not include sick leave, vacation leave, holiday leave, or compensatory time. When an employee works on a holiday, they earn holiday pay at straight time. If an employee accumulates an excessive amount of compensatory time, the Mayor may authorize payment of all or a portion this time. Vacation and compensatory time is pre-approved by the Mayor.

The Clerk Treasurer enters the regular hours and/or sick and vacation leave and compensatory time used through the UAN payroll software. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. A batch report is run to determine that hours and leave time have been entered correctly and that the dollar amounts calculated are correct. If any changes are required, the system allows editing to occur anytime before the payroll is posted. After the payroll is posted and the checks are printed, the Clerk Treasurer gives them to the Mayor for signature. Once the Mayor and Clerk Treasurer sign the payroll checks, the Clerk Treasurer distributes the checks. The checks are generally printed prior to the date they are required to be distributed to the employees; therefore, the checks are locked in a filing cabinet until payday. The Clerk Treasurer distributes the paychecks by placing them in a sealed envelope in the employee's mail slot.

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

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

- Timesheets need to be updated to correspond to the new computer software. The Mayor's Court Clerk is in the process of updating these sheets.
- The Mayor should periodically review the actual time employees work in various departments to ensure the amount of time allocated to the various funds and departments is reasonable.
- The Village has an employee leave benefits policy. The policy does not address the maximum accumulation of compensatory time or the payment when there is a large accumulated balance. Village Council should develop a policy for compensatory time.

## Village of Russells Point - Logan 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 must be passed by Village Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the interest rate, and the source of revenue to be used for repayment. Debt proceeds should be recorded in a separate fund and used only for the purpose specified in the authorizing ordinance. Monies to be used for debt payment may be receipted into a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

##### Statutory Requirements

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

##### Methods Used by the Village

The Village monitors debt payments by line item in the accounting records. The Clerk Treasurer monitors debt payments using separate purchase orders which are completed prior to the time the debt payments are due.

The Village's debt is described below:

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Date of Final Maturity</u>
<u>Building Acquisition Bonds</u>				
Municipal Building Bond A	06/05/02	6.00%	\$133,190	6/01/2032
Municipal Building Bond B	06/05/02	8.00	232,127	6/01/2032
Municipal Building Bond	05/29/02	4.75	215,000	7/17/2022
<u>Revenue Bonds</u>				
USDA Bonds A and B	06/27/97	5.00	1,245,000	6/01/2037
<u>Loans Payable</u>				
OPWC Water System Improvements	10/01/98	0.00	426,000	07/01/2016
OPWC Water Softener Replacement	01/01/00	0.00	123,063	01/01/2020
OPWC Water Line Replacement	07/01/00	0.00	88,313	07/01/2012
OPWC Water Line Improvement	07/01/00	0.00	43,200	07/01/2013
Main Street	10/15/02	3.95	139,359	10/15/2007
Filtration System	12/02/03	3.35	63,000	06/02/2007

**Village of Russells Point - Logan County**

**Report on Accounting Methods**

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**Debt Administration**

(continued)

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

<u>Debt Issue</u>	<u>Pledged Receipts</u>	<u>Fund</u>
<u>Building Acquisition Bonds</u>		
Municipal Building Bond A	General Fund Revenues	Municipal Building
Municipal Building Bond B	General Fund Revenues	Municipal Building
Municipal Building Bond	General Fund Revenues	Municipal Building
<u>Revenue Bonds</u>		
USDA Bonds A and B	Charges for Services	Mortgage Debt Service
<u>Loans Payable</u>		
OPWC Water System Improvements	Charges for Services	Mortgage Debt Service
OPWC Water Softener Replacement	Charges for Services	Mortgage Debt Service
OPWC Water Line Replacement	Charges for Services	Mortgage Debt Service
OPWC Water Line Improvement	Charges for Services	Mortgage Debt Service
Main Street	Special Assessments/ General Fund Revenues	Main Street
Filtration System	Charges for Services	Mortgage Debt Service

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

**Auditor of State Comments**

- The OPWC debt that is being paid from the Mortgage Debt Service Fund should be paid from the enterprise fund to which it pertains.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Inventory of Capital Assets

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

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

##### Administrative Code Requirements

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

##### Auditor of State Comments

- The Village does not maintain an inventory of capital assets. Without a inventory of capital assets, the Village is unable to determine if there is adequate insurance coverage, whether assets have been lost or stolen, whether idle assets exist that can be sold to generate additional revenue, and whether assets are used in the most efficient manner. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Cash Management and Investing

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

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

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

##### Statutory Requirements

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

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

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

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

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

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

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Cash Management and Investing

(continued)

#### Federal Requirements

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

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

#### Methods Used by the Village

The Village has only three types of accounts: business checking, savings account, and a certificate of deposit. The Village does not have any investments.

The UAN software provides within the program a reconciliation from bank to books which is currently being utilized by the Clerk Treasurer. The reconciliation is printed from the software and includes an outstanding checklist.

The Village files an exemption form 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.

At this time, the Village does not have a current depository agreement.

#### Auditor of State Comments

- The Village does not have a current depository agreement. A depository agreement covers items such as maximum dollar amount on deposit and collateralization.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### **Financial Reporting**

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

The Clerk Treasurer should periodically provide Village 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 and disbursements plus encumbrances should be presented for Village Council's review. On an annual basis, the 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 outstanding principal balance on all debt obligations.

##### **Statutory Requirements**

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

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

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

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

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

The Clerk Treasurer provides to Village Council each month the following information: a cash position report, the bank reconciliation, the first page of the bank statement, and a copy of the outstanding checks. The cash position report details by fund the fund balance at the beginning of the year, total receipt activity for the month and year to date, total disbursement activity for the month and year to date, and an ending fund balance.

In prior years, the Clerk Treasurer prepared and filed the annual financial report manually. With the UAN software, annual reports will be sent to the Auditor of State's office on a compact disk.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### **Financial Reporting**

(continued)

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

- The Mayor presents the monthly financial information to Village Council. The Clerk Treasurer is responsible for maintaining the financial information of the Village and should present the information to the Village Council. The Clerk Treasurer's financial report should highlight significant items for the last month and identify issues that may/will require action by Village Council.
- Currently, the Village Council only receives and reviews the monthly cash position report which provides the beginning of the year fund balance, month-to-date and year-to-date receipts and disbursements, and ending fund balance. The Clerk Treasurer should also provide summary data for estimated and actual receipts and appropriations and disbursements for each fund, department/activity, and object. The Village Council should set by ordinance the type and frequency of financial information to be reported to the Village Council.
- The Clerk Treasurer should provide monthly a detailed report of disbursements by fund, department/activity, and object to all department heads for their review and verification of the monthly activity.

## Village of Russells Point - Logan County

### Report on Accounting Methods

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#### Recording Official Proceedings

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

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

##### Statutory Requirements

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

Sections 731.20 through 731.24 of the Revised Code address the passage, style, number of subjects, authentication and recording, and publication requirements of Village Council legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Clerk and kept open for public inspection for ten days. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of Village Council and the yeas and nays 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 of the Revised Code creates in each municipal corporation, a records commission composed of the chief executive or his appointed representative, as chairman, and the chief fiscal officer, the chief legal officer, and a citizen appointed by the chief executive. The commission shall appoint a secretary, who may or may not be a member of the commission, and who shall serve at the pleasure of the commission. The commission may employ an archivist to serve under its direction. The commission shall meet at least once every six months and upon call of the chairman. The functions of the commission shall be to provide rules for retention and disposal of records of the municipal corporation, to review applications for one-time records disposal, and schedules of records retention and disposition submitted by municipal offices.

##### Methods Used by the Village

The Clerk Treasurer takes notes during the Village Council and the Board of Public Affairs meetings. From the notes, she prepares the minutes of the meeting. The minutes include who is in attendance, reports that are presented by various departments and officials, a summary of topics discussed, description of ordinances and/or resolutions and the votes thereon, and other upcoming events.

**Village of Russells Point - Logan County**

**Report on Accounting Methods**

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**Recording Official Proceedings**  
(continued)

**Auditor of State Comments**

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

## **Village of Russells Point - Logan County**

### **Report on Accounting Methods**

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#### **Conclusion**

The methods as described by the Village and included in this report are based on our inquiries and discussions with Village personnel and the related procedures documented from the Village's ordinances, administrative rules, and the Revised Code. These methods, in some cases, vary from the actual methods used in performing the daily activities.

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



**Auditor of State  
Betty Montgomery**

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**VILLAGE OF RUSSELS POINT**

**LOGAN 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, 2006**