



**Dave Yost • Auditor of State**

**Village of Bethel  
Clermont County, Ohio**

**Report on Accounting Methods**

**Local Government Services**



**Village of Bethel – Clermont County**

**Report on Accounting Methods**

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# Dave Yost • Auditor of State

## CERTIFICATION

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

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

Dave Yost  
Auditor of State

February 19, 2013

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## Village of Bethel - Clermont County

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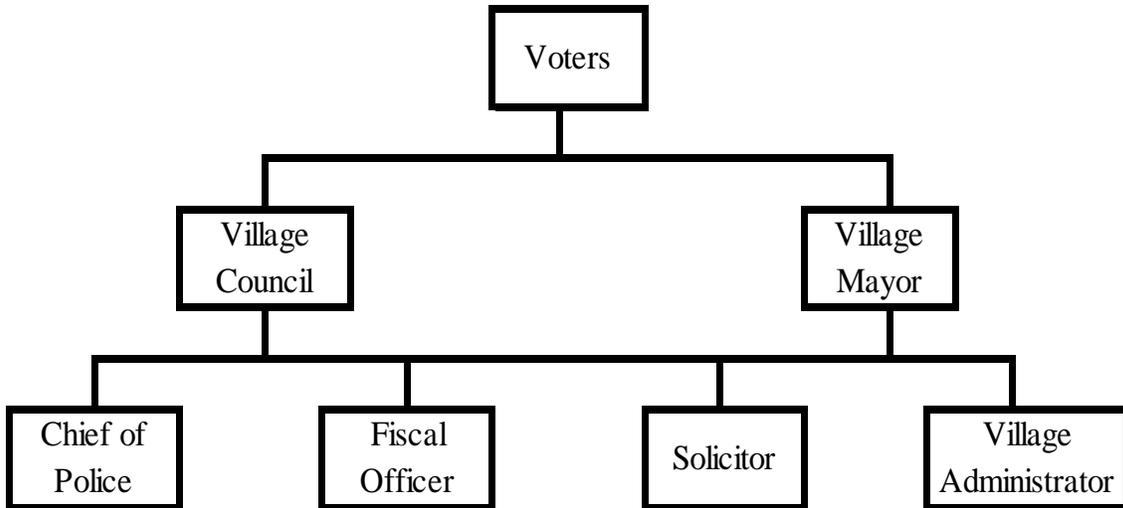
#### Purpose

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 Bethel. 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 Bethel Organizational Chart



## Village of Bethel - Clermont County

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#### Governance Overview

The Village of Bethel (the Village) is located in southwest Ohio in Clermont 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, Bethel must comply with all State laws regulating Village government. The decision making process is directed by an elected Council and Mayor.

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

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

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

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, park maintenance, and utilities which includes water, refuse collection, and electric.

On August 24, 2010, 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 Council or a designee;
4. The Treasurer of State or a designee; and
5. Three individuals appointed by the Governor with knowledge and experience in financial matters who are residents of the Village.

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#### Governance Overview

(Continued)

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

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

This Commission is required to adopt a financial recovery plan for the Village within one hundred twenty days of its first meeting. 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 Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse".

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

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#### Budgetary System

##### Description of an Effective Budgetary System

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

##### Statutory Requirements

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

Tax Budget - The Mayor prepares an annual tax budget of the estimated receipts and disbursements for all funds of the Village for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the Council. At least one public hearing must be held for discussion of the budget. Council is required to adopt the budget by July 15 and the budget must be submitted to the Clermont County Budget Commission by July 20 of each year.

The County Budget Commission examines the budget to ascertain that all tax levies of the Village are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Council's consideration. Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission. On or about October 1, 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 Council adopt a tax budget as provided under section 5705.28 of the Revised Code, but shall require the Council to provide such information to the Budget Commission as may be required by the Budget Commission to perform its duties under Chapter 5705 of the Revised Code, including allocating inside millage to each subdivision or taxing unit.

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

## Village of Bethel - Clermont County

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#### Budgetary System

(continued)

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

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

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

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

Annual Tax Ordinance - Section 705.17 of the Revised Code requires that an annual tax ordinance to determine the amount of the tax levy be prepared by the Mayor, under the direction of the 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 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 unencumbered balances carried over from the previous year plus the estimated receipts of the current year.

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#### **Budgetary System**

(continued)

Section 705.19 of the Revised Code provides that no money shall be drawn from the treasury of a municipal corporation, except in pursuance of appropriations made by the legislative authority, and whenever an appropriation is so made, the Fiscal Officer shall forthwith give notice to the Auditor and the Treasurer. Appropriations may be made in furtherance of improvements or other objects or work of the municipal corporation which will not be completed within the current year. At the end of each year, all unexpended balances of appropriations shall revert to the respective funds from which they were appropriated and shall then be subject to future appropriations.

#### **Administrative Code Requirements**

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 annual budget process begins in July with the preparation and filing of the tax budget with the County Budget commission. Estimated receipts for the ensuing year are based on two years of historical data and current year to date information. Public notice is given at least ten days prior to a public hearing on the tax budget held by the Council. The tax budget is reviewed and adopted by Council on or about July 15, prior to submitting it to the County Budget commission on or about July 20.

The Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the Village. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Council's consideration. Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1. On September 26, 2011, the Village approved the resolution for 2012.

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

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#### **Budgetary System**

(continued)

The Fiscal Officer, Village Administrator and Finance Committee prepare the permanent appropriations ordinance based on history, trends, and other known factors. Appropriations are established at the fund, department, personal service, fringe benefits and other expenditures level of disbursements. Once approved, the appropriation ordinance is submitted to the Budget Commission and appropriations are recorded to the accounting system. The Budget Commission verifies that appropriations, by fund, do not exceed estimated resources and returns a certificate indicating that total appropriations from each fund do not exceed the estimated resources.

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

1. Budgeted revenues and appropriations in the accounting system do not agree with the most current supporting documents. Amendments should be posted to the accounting system after approval by Council for appropriations and the budget commission. The Fiscal Officer should compare budgeted amounts in the accounting system to the current amended certificate and appropriations measures as passed by Council to ensure that recorded amounts are accurate.

## **Village of Bethel - Clermont County**

### **Report on Accounting Methods**

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#### **Chart of Fund and Account Codes**

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

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

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

##### **Statutory Requirements**

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

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

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

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

None

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#### Accounting Journals and Ledgers

##### Description of Effective Accounting Ledgers

The accounting journals and ledgers of the Village should allow for ongoing and timely information on estimated and actual receipts, disbursements, and encumbrances compared to the appropriation authority and available cash balances for each fund. The information captured for each transaction should allow the transaction to be traced throughout the journals and ledgers and back to the document that originated the transaction.

##### Administrative Code Requirements

Section 117-2-02(A) of the 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 and liabilities, if generally accepted accounting principals apply, document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-02-02(C)(1) of the Ohio Administrative Code, requires 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) of the Ohio Administrative Code, requires all local public offices to maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public office provides and should consider the degree of automation and other factors. Such records should include the following:

Cash Journal – The cash journal is the book of original entry for recording all cash receipts and disbursements processed in the Fiscal Officer’s office. The cash journal presents receipts deposited to and checks drawn against the Village treasury and the fund to which the receipts and checks were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in orders and checks. The related pay-in-order or check number, account codes, and date are also recorded for each transaction. At the end of each month, month to date totals and year to date totals are recorded.

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

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#### Accounting Journal and Ledgers

(Continued)

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

#### Methods Used by the Village

The Village utilizes the Uniform Accounting Network (UAN). All reports required by the Revised Code are available and accessible with the UAN software.

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

At the Finance Committee and Council meetings, the Fiscal Officer provides a copy of the following reports: appropriation summary report identifying any prior year carryover balance, current year appropriations, amounts encumbered, the unencumbered fund balance, the amount spent year to date, and the percent spent year to date when compared to the amount appropriated; revenue summary report identifying the budgeted amount for the revenue line items, the amount received year to date, and the percent received year to date when compared to the amount budgeted; fund summary report identifying the fund number, fund name, the beginning cash balances, the year to date revenue received, the year to date expenditures spent, the ending fund cash balances, and the amounts encumbered.

The Village also utilizes Baldwin Software for Mayor's Court and EGOV Software for the utility department. These systems are separate from the UAN system. The Village server backs up both of these systems. The UAN system is backed-up monthly by the Fiscal Officer.

#### Auditor of State Comments

None

## Village of Bethel - Clermont County

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#### Receipt Transactions

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

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

##### Statutory Requirements

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

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Receipt Transactions

(Continued)

#### Administrative Code Requirements

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

#### Methods Used by the Village

General Receipts - All receipts are received by cash, wire transfer or check. Cash and check are received either in person or through the mail. The primary checking account earns .50% interest paid monthly. Interest earned from savings, STAROhio and Certificate of Deposits is posted at the end of each month.

When checks are received, the Fiscal Officer prepares the deposit slip. All checks are listed individually on the deposit slip. Deposits are taken to the bank as money is received. The Fiscal Officer attaches any supporting documentation for the receipt to the bank remittance and enters receipts into the UAN system. A duplicate copy of the deposit slip along with supporting documentation and a standard receipt printed from the UAN software is filed in a file folder by month.

The Fiscal Office receives state receipts by wire transfer to the Village's checking account. The Fiscal Officer reviews the online daily activity report of the general checking account for wire transfers that have been received. The Fiscal Officer identifies the proper account codes and records the gross receipts to the proper revenue account. Any deductions, such as administrative fees, are booked as memo expenditures. The Fiscal Officer verifies that the gross amounts booked for receipts and expenditures net to the amount that was wire-transferred to the bank.

At the end of each month, a receipt register is printed from the UAN software.

The Fiscal Officer is bonded.

Utility Receipts – The Village provides water and electric services to its residents. Trash services are provided by Rumpke and billed through the Village. All services are provided to residents of the Village as well as an approximate two mile radius around the Village.

Water and electric rates are established by ordinance for all customers. The software the Village uses for billing applies water and electric rates according to the ordinance. The Village Administrator enters the rates into the billing system with guidance from the software company when changes are made by Council through Ordinance

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Receipt Transactions

(Continued)

Utility clerks send out utility (water, sewer, and trash bills) monthly. The water and electric department employees manually read the electric and water meters for all customers and note these readings in utility log books. Trash service is provided by Rumpke and charged by the Village at a flat rate for each customer. The utility clerks receive the utility log books and post the meter readings to the computerized utilities billing journal (EGOV billing software) and updates customer billing balances. The clerks monitor amounts they input from the utility log books for potential errors or problems with the infrastructure. If such problems are flagged the meter will be checked again for quality assurance.

Utility bills are printed from the utility billing system. The bills are mailed out at the end of each month and are due back the 21<sup>st</sup> if the following month. The customer has three options for payment: (1) present the bill stub and payment in person to the utility clerk, (2) pay by mail or (3) the customer may pay the bill by dropping the payment into the drop deposit slot at the Village office. Each utility clerk keeps and files all billing stubs separately for each day. At the end of the day, each utility clerk's drawer of billing collections are counted and then also counted by another present utility clerk to ensure accuracy.

A utility clerk completes a two part deposit slip for all daily utility payments received. The deposits are stored in the Village vault until it is deposited the next day by the Fiscal Officer into the Village's general checking account.

Payments are recorded in the computer billing journal on a daily basis. A report is generated from the utility billing system that lists each individual customer's payment with a grant total of all payments made that day. This report is compared to the daily deposit slip to verify that all payments have been processed in the utility billing system and that all payments are included on the deposit slip.

The head utility clerk reviews and updates customer accounts for past due balances and runs a report with all delinquent accounts which is reviewed by the Village Administrator. The delinquent customers are scheduled for utility service shut-off after they receive notice by the Village.

Mayor's Court Receipts – The Village has a Mayor's Court for any traffic or criminal violations that happen within the Village. The Village does not have a written policy for handling receipts received for the Mayor's Court. The Mayor's Court has a separate checking account that is maintained by the Mayor's Court Clerk and reconciled monthly by the Fiscal Officer.

Books containing tickets in numerical order are issued to officers and the sequence range of the numbers of the books assigned to each officer is entered into the Police Chief Ticket Ledger. The tickets have five-parts. The white and yellow copies go to the Mayor's Court Clerk. The yellow copy is a spare copy that is kept in the case file with the white copy. The pink and cardboard copy of the tickets go to the police chief with the original ticket. The defendant receives the green copy of the ticket. All tickets issued, including voided tickets, are entered into the Police Chief Ticket Ledger by the Police Chief, and filed in numerical order. Voided tickets are also filed away with the issued tickets.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Receipt Transactions

(Continued)

When the Mayor's Court Clerk receives the copies of the tickets, usually three times a month from the Police Chief, the Mayor's Court Clerk pulls the offenders' traffic and/or criminal record. She then enters the information from the ticket into the Baldwin Software. The computer generates the case number and the Mayor's Court Clerk prints out the case number and other relevant information from the case such as the defendant's name, offense, date of offense, and original court date onto a folder, which is called the case jacket. The white and yellow copies of the ticket, along with any documentation for the case such as police reports are put into the case jacket. The case jackets are filed by the court date and in case order, where they are stored until the court date. After a case is closed, the case jackets are filed by case number.

In some cases, tickets are paid prior to the court date. Others are paid after the court date. If a person is unable to pay in full by the required date and they have appeared in court, the Mayor's Court Clerk will set up a payment plan for them. There are also cases where the individuals do not show up for court or pay the corresponding fines/fees.

When an individual makes a payment in person, the Mayor's Court Clerk enters the payment into the Mayor's Court computer system. The Mayor's Court Clerk signs the receipt. A copy of the signed receipt is made and given to the defendant. If the Mayor's Court Clerk receives a payment through the mail or drop box, she files the receipt in the case jacket and will mail a copy if requested to the defendant. The payment is stored in a locked cash box inside the Village safe until it is deposited in the bank, which is usually done at least weekly. Payments received by individuals, other than the Mayor's Court Clerk, are placed in the safe until the Mayor's Court Clerk can put them in the Mayor's Court computer system.

The Mayor's Court Clerk keeps a separate file of the cases that are on a payment plan. These payments are tracked within the Mayor's Court system. A print off of payments received, and a running balance is kept on the computer system. When paid in full, the case jacket is filed away.

The Mayor's Court Clerk keeps a file of outstanding cases or payment plan where the individuals failed to appear in court or pay the required fines/fees. Even payment plan cases are required to attend court each month unless payment is made before the court date. In cases in which the individual does not show up for court, only the fine imposed for failure to appear in court are assessed, while nothing is imposed regarding the alleged crime committed. The procedures followed by the Village in order to recover these fines/fees are for the court to issue a warrant block to keep the individual from applying for vehicle registration or a driver's license, and a license suspension. The Village does not contract with any collection agencies.

Ticket information and payments are only entered into the Mayor's Court computer system by the Mayor's Court Clerk.

At the beginning of each month, the Mayor's Court Clerk submits payments from fines and fees of the previous month to the Village, State and other agencies. The Mayor's Court Clerk submits a report to the Mayor that shows Village, state, and other revenues from fines, fees, costs, and restitution. The Mayor presents this report to the Council monthly. The report includes year-to-date amounts compared to prior year-to-date amounts. The Mayor's Court Clerk includes this report, along with others generated by the Baldwin Group software, month-end bank statements, and spreadsheets created by the Mayor's Court Clerk, in a binder that is kept in her office. The Fiscal Officer performs the monthly bank reconciliation.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### **Receipt Transactions**

(Continued)

There is no managerial oversight for any financial work that the Mayor's Court Clerk does.

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

1. Separation of duties should be provided within the Mayor's Court receipt and deposit duties to insure accuracy as well as checks and balances. To segregate duties, an utility clerk could take the daily receipts and recount the total for preparation of the deposit slip as well as check the total against the daily receipt total posted on the Mayor's Court system.
2. The Village should either deposit Mayor's Court receipts daily or approve a deposit policy that permits a different time period for depositing. This policy cannot exceed three business days following the day of the receipt as long as the receipts can be safeguarded until the monies are deposited and do not exceed \$1,000.
3. The Village needs a written set of procedures for cash collected and remitted properly. The Village should adopt a policy for each department that receives cash to ensure there are procedures for issuing receipts, safe guarding the cash until it is deposited with the bank or Fiscal Officer, and the supporting documentation that is required to be given to the Fiscal Officer to support the receipt.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Purchasing Process

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

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

##### Statutory Requirements

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

Certification of the Fiscal Officer - Each contract or order for the disbursement of monies must be accompanied by a certificate of the Fiscal Officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's Fiscal Officer.

Blanket Certification of the Availability of Funds - The subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that does not extend beyond year end in an amount established by resolution of the Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine, recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and disbursements made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate per appropriation line shall be outstanding at a time.

"Super" Blanket Certification of the Availability of Funds - The super blanket certification permits the Fiscal Officer to certify any amount from a specific line item appropriation. The certification is authorized to be outstanding for any period up to the end of the year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and disbursements made under each certification must be maintained and provided by the Fiscal Officer.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor or appraiser by or on behalf of the subdivision, fuel oil, gasoline, food items, roadway materials, utilities, and any purchase exempt from competitive bidding under Revised Code section 125.04, and any other specific disbursement that is a recurring and reasonably predictable operating expense.

Then and Now Certification - It is intended that the Fiscal Officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed (then) and at the current time (now), a sufficient sum was appropriated for the purpose of such contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. If the amount exceeds \$3,000, the 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 approved by the Council and executed in the name of the Village by the Mayor, except as otherwise specified by State statute.

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

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

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

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

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

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

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

#### Administrative Code Requirements

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

#### Methods Used by the Village

The Village has no written purchasing policy. Purchase orders for the Village are initiated by the Village Administrator, Fiscal Officer, or the department heads. The department heads or Village Administrator initiate a purchase order requisition form. The requisition form requires signatures from the department head, Village Administrator, and Fiscal Officer. Once the requisition form has been approved a purchase order is created within the UAN system by the Fiscal Officer. The Fiscal Officer establishes blanket orders at the beginning of the year. For all new vendors, the Fiscal Officer requires a W-9 form to be obtained and filed with the Village before a purchase order is established.

Regular purchase orders include the purchase order number, vendor name and address, issue date and certification date, a description of the items, amount per unit, total quantity requested, account code, and signatures from the Fiscal Officer and Village Administrator. Blanket purchase orders are also used and are signed by the Village Administrator. Then and Now purchase orders are used rarely and only for emergency purposes. Account codes are assigned based upon the description provided at the time of creating the purchase order.

The Fiscal Officer generates the purchase order in the computer system and prints two copies of each purchase order, one for his records and the other is given to the department head to be sent to the vendor.

For contracts over \$25,000, legal notice is published in the newspaper and bids are accepted through the competitive bidding process. Once the bids have been received a bid meeting is held where the Fiscal Officer records the minutes. The Village Administrator opens the bids and takes them to the appropriate committee for review. After review, the committee makes a recommendation to Council. Before the contract is awarded the findings for recovery database is checked. A print out of the findings for recovery search is printed off and filed by the Fiscal Officer.

The Village currently has credit fuel card accounts. The Chief of Police, Village Administrator, the Village police officers, and public works employees each having a card linked to the account. Each card that has been issued has a different card number. When the card is issued, the number and name of the cardholder are recorded so that spending can be monitored.

#### Auditor of State Comments

1. Council has not passed a resolution setting the amount of blanket purchase orders as required by Section 5705.41 (D) of the Ohio Revised Code. Blanket purchase orders used without Council having set a limit are not valid because the Village does not have the authority to use blanket purchase orders. Council should establish, by resolution, the maximum amount for blanket purchase orders to be issued by the Fiscal Officer.
2. The Village does not have a formal purchasing policy, and purchasing procedures for the Village are not documented. A purchasing policy for the Village should be developed, presented to Village Council for approval and distributed to all departments.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

3. The Village does not follow their current card policy. The Village should revise the current policy so that it identifies authorized users, has guidelines for allowable purchases, unallowable purchases, reporting, monitoring of use by appropriate levels of management, and other guidelines deemed appropriate by Council.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Cash Disbursements

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

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

##### Statutory requirements

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

Checks - Disbursements may only be made by a proper check drawn against an appropriate fund. The check must show upon its face the appropriation from which the disbursement is made and the fund(s) which it is drawn upon.

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

Certification - If no certificate of the Fiscal Officer is furnished as required, upon receipt by the 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 check in payment of amounts due upon such contract, but such ordinance shall be passed within 30 days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the Fiscal Officer may authorize it to be paid without such affirmation of the Council, if such disbursement is otherwise valid.

##### Administrative Code Requirement

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Cash Disbursements

(Continued)

#### Methods Used by the Village

When an invoice is received, the employee or department head reviews the goods received to the packing slip and signs off on the invoice. All invoices are sent to the Village Administrator for review and once signed the invoice is given to the Fiscal Officer for payment. The invoice is marked "ok to pay" by the Village Administrator.

For bills that are received, the Village Administrator signs the invoice and gives it to the Fiscal Officer. The Fiscal Officer will then present the bills at the next Council meeting for approval. Payroll and insurance are automatically withdrawn from the UAN software. For each check issued supporting documentation is provided with the check.

Bills are paid monthly by either check or electronic payment. The checks require two signatures. The only approved signatures are the Mayor, Village Administrator, and the Fiscal Officer per Village resolution. The Fiscal Officer creates the checks in the UAN software assigning the appropriate purchase order number, if applicable. The Fiscal Officer presents them to the Village Administrator or Mayor for signature.

The Fiscal Officer is the only individual that has access to the UAN software. However, if the Fiscal Officer is not able to perform his duties due to an emergency, the Village has set up an option of contacting two area UAN clerks to help assist the Village in financial record keeping on the UAN system.

Checks with a copy of the invoice attached are filed in check number order in the Fiscal Officer's office. All checks are kept locked in the Fiscal Officer's office. Vouchers are filed numerically by month. Any voided checks have "VOID" written on them twice.

Electronic payment transfers are done by the Fiscal Officer. Each one has a separate log-in and is done on a monthly basis. The Fiscal Officer prepares a withholding voucher with documentation on the electronic payment for the Village.

The Village does have a cellular telephone policy that provides a stipend for Village employees who agree to use their personal cell phone for business communication which directly relates to the Village. The stipend is \$45 per month for administrative or supervisory employees or \$25 for per month for non-supervisory employees.

#### Auditor of State Comments

None

## Village of Bethel - Clermont 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

Pay rates for Village employees are set by Council. Council sets pay rates and raises by ordinance. Council approves the hiring of all employees.

When an employee is hired or an official is new, an IRS Form W-4 and PERS forms and tax forms (if applicable) are completed. Personnel files for employees that have been with the Village for over two years do not have all withholding forms within their employee files. All payroll related paperwork is maintained in the Fiscal Officer's office, access is limited to the Fiscal Officer and the Village Administrator.

The Police Chief, Village Administrator, and Fiscal Officer receive a salary and are paid bi-monthly. The Council and Mayor are paid monthly. Council members are only paid for meetings attended. The Solicitor is paid as services are rendered on a contractual basis.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### **Payroll Processing**

(continued)

The Fiscal Officer enters the payroll data in the UAN payroll software. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. The Fiscal Officer, Council, and Mayor pay into the Ohio Public Employee Retirement System.

All payrolls are remitted through electronic fund transfers (EFT) from Village bank account to the employees. This is done by the Fiscal Officer for each payroll after the UAN system calculates the net wages for each employee. These payroll EFT are listed with the nonpayroll payments by the Fiscal Officer on a report given to Council for their meetings. The Fiscal Officer also prints out a payroll register summary report each month for the Council. This report shows each individual, their department, employee monthly gross wages, and employee monthly withholdings.

All payroll taxes are calculated by the UAN software. Several reports can be printed from UAN that can be sent directly to the agency, such as OPERS and Employer's Quarterly Taxes (Form 941). A review was done to determine if adequate files were being maintained for the withholdings.

The Village does have payroll policies in their personnel policy manual. These policies include leave policies. Within the vacation leave policy, it states that vacation requests must be approved in advance by the department head. The police department is the only department that uses leave request forms that are signed by the employee and approved by the supervisor. The public works department writes leave on the Village Administrator's calendar

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

1. The Fiscal Officer is not maintaining adequate personnel files. A file should be maintained for each employee including such information as Federal Form W-4, State Form IT-4, and OPERS Personal History Record, as well as pay rate information.
2. Leave request forms are used within the Police Department.
3. The Village policy for vacation leave requires employees to obtain leave approval in advance by the department head. Leave request forms should be completed and approved in all Village departments for vacation leave prior to leave being taken.

Village of Bethel - Clermont County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. An ordinance authorizing the issuance of debt must be passed by Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the interest rate, and the source of revenue to be used for repayment. Debt proceeds should be recorded in a separate fund and used only for the purpose specified in the authorizing ordinance. Monies to be used for debt payments may be receipted into a separate fund created specifically for debt retirement. Care should be taken to 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 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>
Mortgage Waterworks System Revenue Refunding Bonds	July 1, 1998	4.0%-5.25%	\$1,170,000	December 1, 2015

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

<u>Debt Issue</u>	<u>Pledged Revenues</u>	<u>Fund</u>
Mortgage Waterworks System Revenue Refunding Bonds	Charges for Services	Water

The Mortgage Waterworks System Revenue Refunding Bonds debt agreement requires the Village to establish a Bond Account to be maintained by a custodian bank. Monthly, the Village is required to pay an amount equal to one-sixth of the interest due on all outstanding bonds on the next ensuing interest payment date and one-twelfth of the principal due on the next ensuing principal payment date. Moneys in the Bond Account shall be used to pay principal and interest on the bonds on their regularly scheduled maturity dates. The Village has established this account and is current on all payments to the Bond Account.

**Village of Bethel - Clermont County**

**Report on Accounting Methods**

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**Debt Administration**

(Continued)

In 2009, the Village received and deposited a check for franchise fees from Time Warner Cable that was made out to Bethel Township. Time Warner agreed to withhold further franchise fee payments to the Village until the overpaid balance was recovered. The balance due to Time Warner is \$10,198 and will be recovered in full during 2013.

**Auditor of State Comments**

None

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Inventory of Capital Assets

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

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

##### Administrative Code Requirements

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

##### Auditor of State Comments

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Cash Management and Investing

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

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

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

##### Statutory Requirements

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

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

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

Section 135.22 of the Revised Code requires the Fiscal Officer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State. A Fiscal Officer is not subject to this training if the investments are limited as defined by the Revised Code and an exemption form is certified by the Treasurer of State.

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 Fiscal Officer attend annual training programs of continuing education for Village clerks provided by the Auditor of State. This training encompasses a wide variety of topics.

## Village of Bethel - Clermont 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 two checking accounts, one savings account, one investment account and three certificates of deposits. Since the Village has no investments, the Fiscal Officer files and exemption form.

The Community Savings Bank serves as the Village's only depository and receives all wire transfers and deposits. All checks except payroll are written against this account. The JP Morgan Chase bank account serves as the Payroll account. The River Hills Bank serves as a savings account and STAROhio is the investment account. The Village does periodically purchase certificates of deposit.

The UAN software provides a reconciliation from bank to books which is currently being utilized by the Fiscal Officer. The reconciliation is printed from the software and includes an outstanding checklist. Upon completion of the monthly reconciliation, the Finance Committee reviews the bank reconciliation as printed from the UAN software. Council receives a copy of the bank reconciliation within their financial packets. No formal action is taking on the bank reconciliation except for notation in the finance minutes about the discussion of the monthly bank reconciliation.

The Village has been carrying two reconciling items on the monthly bank reconciliation for over a year. These two reconciling items relate to audit comments from the 2007 and 2008 audit period.

#### Auditor of State Comments

1. The bank reconciliation completed by the Fiscal Officer is showing a reoccurring variance of \$2,550.83. This reconciling item has been carried on the reconciliation for over a year and needs to be documented and posted.

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### **Financial Reporting**

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

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

##### **Statutory Requirements:**

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

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

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

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

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### **Financial Reporting**

(Continued)

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

The Village prepares its annual financial report on the regulatory basis of accounting. The report was filed before the deadline with the Auditor of State. 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 Fiscal Officer's office.

The Fiscal Officer provides Finance Committee members with a monthly financial packet containing: the previous meetings minutes to be signed, month end bank reconciliation, revenue summary report, fund summary report, appropriations summary report, and any financial related notices. A review of the minutes showed the finance committee minutes. The minutes showed that the finance committee reviews the financial reports as well as the tax budget.

Council is provided a packet before all council meetings that contains the agenda, previous meetings minutes, ordinances the Village is working on, and the same packet given to the financial committee. Council is also provided with a list of checks written during the current month, as well as current expenses. The previous council meeting minutes are signed at the current meeting. Finance Committee highlights are also gone over in the meetings.

After year-end, the Fiscal Officer provides Council with a Finance Summary report which summarizes the year end fund balances for the past several years. The report presents the fund balances of each fund for the year ended and the prior year. Major acquisitions for the year are discussed.

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

None

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Recording Official Proceedings

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

The 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 year and days 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 731.25, 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 Clerk of Council and kept open for public inspection for ten days. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks. If no newspaper is published within the Village, copies of the ordinances and resolutions must be posted in no less than the five most public places in the Village for not less than fifteen days prior to the effective date of the ordinance or resolutions or by publication in any newspaper printed in the state and general circulation in the Village.

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

## Village of Bethel - Clermont County

### Report on Accounting Methods

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#### Recording Official Proceedings

(Continued)

#### Method Used by the Village

The Fiscal Officer serves as the Clerk of Council. The Fiscal Officer audio records the proceedings of each Council meeting during the meeting. After each meeting, the Fiscal Officer types the minutes into a word processing document and presents them to Council at the next meeting to be approved. Once the minutes are typed the audio recording is downloaded to the server. The minutes are signed by the Mayor and Fiscal Officer.

The Fiscal Officer keeps all Village minutes in a hardbound book in the Village safe. Minutes are available to the public by request.

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

The Village publishes ordinances in accordance with the Village guidelines. The Fiscal Officer keeps ordinances and resolutions in the safe in a binder by year. The binder includes an index of the ordinances and resolutions.

Council meetings are held in accordance with the Rules of Council adopted by the Village.

Council has created a records commission per Section 149.39, of the Revised Code, as well as rules for retention and disposal of records.

#### Auditor of State Comments

None

**Village of Bethel - Clermont 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 Bethel 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.

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# Dave Yost • Auditor of State

VILLAGE OF BETHEL

CLERMONT 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  
FEBRUARY 19, 2013