



Dave Yost • Auditor of State

**City of Massillon
Stark County, Ohio**

Report on Accounting Methods

Local Government Services Section

**City of Massillon, Stark 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 City of Massillon 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 Ohio 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 City of Massillon; Kathy Catazaro-Perry, Mayor of the City of Massillon and Tony Townsend, Council President.

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

David Yost
Auditor of State

December 2, 2014

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Purpose

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

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the City, and (2) whether the current accounting system complies with Chapter 117 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing City 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 City of Massillon. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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Governance Overview

The City of Massillon (the “City”) is located in Stark County. The City is a home rule municipal corporation governed by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Operating as a statutory city, Massillon must comply with all State laws governing City government. The decision making process is directed by an elected City Council (Council) and Mayor. Legislative authority is vested in a nine-member Council. Three members are elected at large and six members are elected by wards for two year staggered terms. A council president, who presides at all meetings of the legislative authority, but has no vote except in case of a tie, is elected at large for a two year term. The Mayor is the chief executive and administrative officer who is elected for a four-year term.

The Council is the legislative authority of the City. Council shall provide for the employment of a Clerk of Council. The Clerk of Council attends all Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. All legislative powers of the City shall be vested in, and exercised by, the Council.

The Mayor exercises supervision and control over all administrative departments of the City. The Mayor appoints all officers and employees of the City, except the other elected officials of the City and the employees in those departments. The Mayor may make recommendations to Council, to introduce ordinances and has the power to appoint various City officials. The Mayor has the power to veto ordinances or resolutions.

The City Auditor is elected to a four year term and serves as the chief fiscal officer of the City. The City Auditor shall collect all taxes, assessments, and monies due; disburse funds as authorized; select depositories; invest funds; maintain an efficient general accounting system; specify and supervise departmental accounting; and represent the City with other governmental fiscal agencies. The City Auditor shall serve as fiscal advisor to the Council and assist in the preparation of the yearly budget, appropriation ordinances or resolutions and statements of anticipated income. The City Auditor is responsible for establishment of the accounting procedures necessary to comply with the administrative rules adopted by the Auditor of State.

The City Treasurer is the chief custodian of all monies of the City and is elected to a four-year term. The City Treasurer is required to keep the monies of the municipal corporation in such a manner and in such place as is determined by the legislative authority, and shall pay out money only on warrants issued by the City Auditor.

The Law Director is the City’s chief legal officer, elected to a four-year term.

On October 8, 2013, the City was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Section 118.05 of the Ohio Revised Code. The Commission membership is as follows:

1. The director of the State office of Budget and Management or a designee;
2. The Mayor of the City;
3. The President of City 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 whose residency, office, or principal place of professional or business activity is situated within the City.

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

1. Review all tax budgets, tax levy ordinances and 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 City;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the City;
4. Review, revise and approve determinations and certifications affecting the City 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 the Auditor of State's rules;
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 Senate on the progress of the City.

This Commission adopted a financial recovery plan on May 1, 2014. By State statute, the City 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 City Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "non-adverse."

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

Statutory Requirements

The Tax Budget: The Stark County Budget Commission requires an alternative tax budget containing levy information for all funds that receive property tax revenue to be submitted to the County Auditor as Secretary of the County Budget Commission, by August 20 of each year, for the succeeding year. The County Budget Commission examines the budget to ascertain that all tax levies of the City are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. On or about November 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

Certificate of Estimated Resources: The County Budget Commission issues an official certificate of estimated resources on or about September 1, based on the revenue estimate submitted by the City and other information available to the Budget Commission. About January 1, the City Auditor certifies the actual year end balances for all City funds to the budget commission. Upon receipt of the information, the budget commission issues an amended official certificate of estimated resources that includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the City Auditor determines that the revenue to be collected by the city will be greater than or less than the amount included in the official certificate.

Appropriations Ordinance: On or about January 1, an annual appropriation ordinance must be enacted by city council. Prior to the passage of the annual appropriation measure, a temporary appropriation measure may be passed to meet the ordinary expenses of the city until April 1. The appropriation ordinance, by fund must be within the estimated resources as certified by the county budget commission. Appropriation measures shall be classified so as to set forth separately the amounts appropriated for each office, department, and division, and within each, the amount appropriated for personal services. Any revisions that alter the appropriations at the level adopted by Council must be approved by Council. The City may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the County Auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

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

Administrative Code Requirements

According to Section 117.2.02 of the Administrative Code, all local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. For all local public offices subject to provisions of Chapter 5705 of the Revised Code, the minimum legal level of control is described in Section 5705.38 of the Revised Code as department, personal services and other. 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 City

The annual budget process begins in August with the preparation and filing of the alternative 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. The alternative tax budget is reviewed and adopted by City Council on or about August 15, prior to submitting it to the County Budget commission on or about August 20. The 2015 tax budget was adopted by Council on August 4, 2014.

Council adopted a resolution to authorize the rate of the tax for the levies to be collected in 2015 on October 20, 2014 and certified it to the county auditor. The County is required to provide the City with a certificate of estimated resources based on the tax budget by September 1. The original certificate of estimated resources was received from the County on October 24, 2014.

In the middle of the year, work begins on appropriations for the following year. In preparing appropriations for the next year, all department heads and elected officials enter departmental requests in a budget worksheet in July and submit it to the Budget Director. The budget worksheet includes the estimated salaries, benefits, and all other expenditures for the following year. Between August and November, the proposed departmental budgets are reviewed by the Budget Director and changes are discussed with the department heads and elected officials. The complete budget is prepared by the Budget Director and is presented by the Mayor to Council by December 1. In December, Council conducts budget hearings with the various departments. The Chief Deputy Auditor also prepares a budget summary to compare total appropriations for each fund to the estimated resources. A temporary appropriation ordinance for all funds for the next year is adopted by Council before the end of the preceding year. Annual appropriations for the year are adopted by Council by the end of March. Council establishes the legal level of control for all funds at the object level within each fund and department. Any increase or decrease in appropriations at the object level must be approved by Council. Any department requiring an amendment to appropriations notifies the Chief Deputy Auditor. In some cases, the Chief Deputy Auditor may initiate an amendment to appropriations herself, as she monitors them at least monthly. The request for legislation to amend appropriations is prepared and submitted to the Clerk of Council by the City Auditor, along with any supporting documentation for the amendment.

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In January of each year, the City Auditor certifies the year-end fund balances to the county budget commission and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances of the preceding year. There are numerous amendments to the certificate of estimated resources throughout the year.

All revenue and appropriation changes are entered into the City's accounting system by the Chief Deputy Auditor within a few days of approval of Council. The Chief Deputy Auditor compares estimated revenues on the amended certificate to the estimated revenues in the accounting system each time a new amended certificate is received from the Budget Commission. The Chief Deputy Auditor also utilizes a spreadsheet called the Appropriation Ledger to track estimated revenues and appropriations for each fund.

Certified copies of the appropriation measures are filed by the Chief Deputy Auditor with the County Auditor upon adoption. The City receives from the County Auditor a certificate that the total appropriations from each fund did not exceed the official or amended certificate of estimated resources.

A revenue report is run monthly to check for significant variances between estimated and actual revenues and includes determining if revenues are received within the time period and in the amounts anticipated. An expense budget report is run monthly to check for significant variances between expenditures, including encumbrances, and appropriations. The Chief Deputy Auditor brings any significant variances in estimates versus actual amounts to the attention of the City Auditor. The City Auditor or Chief Deputy Auditor discuss budgetary issues with the appropriate elected official or department head and an amendment is submitted to Council for approval.

In the past several years, appropriations have been insufficient in certain funds and expenditures exceeded the approved appropriations in those funds. Revenue estimates and actual revenue were well below what the City was anticipating to spend in those funds. Rather than reduce expenditures, the City limited appropriations to the amount of estimated resources and allowed expenditures to exceed appropriations.

Auditor of State Comments

- Pursuant to Section 5705.10, Revised Code, the City should credit money levied and collected to the proper fund. During 2012 and 2013 the City had a deficit cash balance in the general fund. The City should no longer use the money from one fund to pay the obligations of another fund with a deficit.
- Pursuant to Section 5705.41 (B), Revised Code, the City should not make any expenditure of money unless it has been appropriated. During 2012 and 2013 the City had expenditures plus encumbrances that exceeded the Council adopted appropriations. The City should only spend and encumber money within the amount of adopted appropriations.

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Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

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

The City establishes funds as required by the Ohio Revised Code. The Chief Deputy Auditor assigns the new fund numbers. The fund numbers are assigned based on a chart of funds that reflects its fund type classification. The current fund structure includes: 1100's – General; 1200's – Special Revenue; 1300's – Debt Service; 1400's – Capital Projects; 2100's – Proprietary; 2200's – Internal Service; 3000's – Trust and Agency. Account codes are assigned and entered into the computer system by the Chief Deputy Auditor based on the type of account. Each account code consists of twelve digits. The first four digits designate the fund, the fifth, sixth and seventh digits designate department, the eighth digit indicates revenue or expense, and the last four digits indicate the specific type of revenue or expenditure object code.

Auditor of State Comments

None

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Accounting Ledgers

Description of Effective Accounting Ledgers

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

Administrative Code Requirements

Section 117-2-02(A) of the Ohio Administrative Code 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 states that all local public offices should integrate their budgetary accounts into their financial accounting system at the legal level of control or lower. The Accounting system should 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 City Auditor’s office. The cash journal presents receipts deposited to and warrants drawn against the City treasury and the funds 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 generated.

Receipt Ledger – The receipt 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 used in the preparation of the tax budget and are 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 computed. At the end of each month, month-to-date totals and year-to-date totals are generated.

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 City, the warrant/check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its disbursements and encumbrances within the amounts appropriated by 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 recorded.

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Methods Used by the City

The City uses SSI Software Solutions eGovPro accounting system, a fund accounting software package, to maintain its accounting records. The City has software and system support services with SSI for their various applications and Municipal Income Tax Solutions for Income Tax. The City has also purchased a support agreement with Seifert Technologies, Incorporated. for the system server which is utilized by the City Auditor, City Treasurer, Income Tax, and Utilities departments. The servers are protected from power surges and are stored in a cabinet in a room that is locked each night.

The SSI software incorporates estimated revenues and appropriations by fund and account. The software program allows for the accumulation and aggregation of budget and actual information. Detailed receipt and expenditure information is accumulated by fund, revenue source, expenditure program, department and object code. The software provides month and year-to-date information and detailed and summary information for receipts and expenditures. The City Auditor's Office has a SSI accounting system user manual referencing financial management and payroll processes, including steps to be taken at year-end.

The City uses the Municipal Income Tax Solutions software to maintain its income tax functions. The income tax department uses the software for tracking income tax on individuals and corporate filers. The software system generates reports and tracks delinquent accounts. Various reports are used for reconciliations of cash transactions. The Income Tax Department has a Municipal Income Tax Solutions user manual referencing the general navigation, inquiries and reports, and income tax processing.

System backups for the City Treasurer, Auditor's Office, Income Tax Department, and Utilities Department are done on the Cloud through Seifert. The Tax Administrator/Budget Director checks backup run reports every morning and closely monitors any anomalies.

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

Auditor of State Comments

- The City does not have a written disaster recovery plan identifying how the City would restore operations including information technology and accounting functions if the City would experience a serious incident (flood, explosion, computer malfunction, accident, grievous act). The plan should address common terminology, preventative measures, a readiness plan, offsite locations and an emergency contact list. The City should develop and implement a disaster recovery plan.

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Revenue Activity

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

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

Section 1901.026, Revised Code, provides that the operating costs of a municipal court that has territorial jurisdiction that extends beyond the corporate limits of the municipal corporation in which the court is located shall be apportioned pursuant to this section among all of the municipal corporations and townships that are within the territory of the court. Each municipal corporation and each township within the territory shall be assigned a proportionate share of the current operating costs of the municipal court that is equal to the percentage of the total criminal and civil caseload of the municipal court that arose in that municipal corporation or township. Each municipal corporation and each township is liable for its assigned proportionate share of the current operating costs of the court.

Methods Used by the City

City Treasurer's Office and City Auditor's Office

The various departments within the City place receipted funds along with two copies of each receipt in the City Treasurer's Secured Drop-Box Safe, ideally within 24 hours of the receipt of the funds. However, in some instances this is not followed, such as when a department takes in a single small receipt. The receipts are transported from the departments to the City Treasurer's Office in locked bank bags. There are two drop boxes for receipts, one outside of the City Auditor's Office and one directly outside of the City Treasurer's office door. The City Treasurer is the only one with access to either locked drop box.

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If a department has more than one receipt in their bank bag, they will run a calculator tape and put it in the bag totaling the funds and receipts. The City Treasurer runs a calculator tape to check that the total of the department's calculator tape ties out, and time stamps the back of all receipts. If the calculator tape does not tie to the department's receipts, it is usually due to things such as a transposition of numbers or an unsigned check. The City Treasurer then prepares a deposit slip for all of the deposits for the day. The funds are deposited into the City's general bank account by a City Police Officer who picks up the City Treasurer's locked deposit bag and slip and transports it to the bank. The City Treasurer later picks up a yellow copy of the deposit slip and a bank receipt from the bank.

The original departmental receipts are sent to the City Auditor's Office employees so that Pay-In Orders can be made for each one, while the copies are stored in the Treasurer's Office. This duty is usually performed by the Deputy Auditor of Capital Assets, but can also be performed by any of the other Deputy Auditors if need be. At this point all receipts should have a timestamp from the City Treasurer on the back. In some cases receipts are brought directly to the City Auditor's Office after the City Treasurer has left for the day. When this occurs, a separate timestamp with the initials of the City Auditor's Office staff who received the funds will also be on the back of the receipt. The pay-in orders are created through an excel template. Each pay-in order is assigned a number in sequence with the previous assigned number. Each sheet is comprised of two copies of the pay-in order, one with black lettering and one with pink lettering.

Once the pay-in orders are completed, the City Auditor's Office staff uses them to post the activity to the revenue journal in the eGovPro system. When all of the pay-in orders have been entered for the day, an Open Journal Entries by Batch report is run. The batch report total is checked against the receipts, and the staff member who made the entries initials the final page of the report to indicate the entries have been checked for accuracy. A Post RJ Journal Entries register is also run and checked against the receipts and initialed to further indicate the amounts have been double-checked.

The copies of the department receipts are then placed in a receipt binder in order according to their respective pay-in numbers, while the original is returned to the department of origin. At this point, the Post Register report is given to the City Treasurer along with both copies of each related pay-in order. The City Treasurer uses the pay-in orders to update the bank activity register in excel that is used to track all general bank account activity. The black copies of the pay-in orders are stapled to the deposit slip and bank receipt and filed in the City Treasurer's office, while the pink copies are sent back to their respective departments.

The following morning, the City's bank account is accessed online. This is usually done by the Chief Deputy Auditor, but all of the City Auditor's Office staff members have the password to access the online banking system if need be. An activity report is printed for the day, and the amounts on the report are checked off as they tie to the related receipts. If a discrepancy is found at this point, it must be entered as an adjustment on the month-end reconciliation. If a discrepancy is caught by the City Treasurer the same day of deposit, the bank can be called and the correction made that day. The bank activity printout is filed in the City Auditor's Office with the revenue journal reports for the day.

The only receipts that do not go through the City Treasurer for deposit are automatic electronic deposits. Electronic deposits include credit card payments made to the City, most of which are related to Legends golf course, as well as some sewer and income tax collections. In this case, the respective department will prepare and remit to the City Treasurer receipts showing the amounts received electronically. The receipt is still processed through the City Treasurer's Office on its own without the related funds.

The City Auditor's Office processes the receipt of County and State monies that are receipted into the City's general bank account. Generally, the Chief Deputy Auditor receives an email that informs the office of the amount and purpose of the wire transfer into the City's account. Forms are also received by email showing the breakdown of funds that the amounts should be receipted into. This breakdown of funds must be received before the receipt can be processed. These receipts are then processed and posted the same as all other receipts.

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Jackson Township performs emergency medical service billings on behalf of the City and sends bills directly to insurance companies and/or patients. As payments and billing stubs are received by mail at the City, the Deputy Auditors process and post the EMS receipts with all other receipts. Most of the receipts come from insurance companies, though some are privately paid as well. A spreadsheet is maintained showing names, dates of service and receipts amounts of the payers. The spreadsheet is sent to Jackson Township monthly for their records so they know who has paid and who has not.

The City Treasurer and City Auditor's Office do not take in any significant or regular cash receipts. However, occasionally a citizen may bring various payments in, and the staff will take the payment as a convenience for the constituents. When this occurs, the receipt is time stamped and initialed by the staff member who received the payment, and then placed in one of the locked drop boxes.

Sewer Collections Department

The Sewer Collections Department of the City is responsible for the supervision of and collection for sewer services to the City's patrons. Billing is done quarterly and billing stubs are mailed out in January, April, July and October to the residential and commercial users in the City. Payments for sewer services can be made by four different methods: By mail, the drop box located at the City administration building, electronically through the Sewer Collections Department online payment system, or through automatic bank account withdrawal.

Payments can be mailed or dropped in a drop box located at the administration building. Mail intended for the Sewer Collections Department is received at the administration building. Once a day, the Sewer Collections Department Administrative Assistant goes to the administration building and picks up the contents of the drop box as well as the mail received for the Sewer Collections Department. The Administrative Assistant and the Assistant to the Manager, as well as the Income Tax Department Head and Clerk are the only four individuals with access to this drop box. These items are transported back to the Sewer Collections Department for processing. The physical checks and related billing stubs are scanned into the computer, at which point the scanning software, licensed from F&E Check Pros Company, automatically uploads the relevant information to the proper accounts in the eGovPro system. The images are stored in the computer system. The checks are then automatically deposited to the bank electronically using the check images. Physical versions of the checks and stubs are stored in the Sewer Collections Department safe for 120 days. At that point, it is verified that electronic images exist and the physical copies are shredded. The Sewer Collections Department Administrative Assistant and the Assistant to the Manager are the only individuals with knowledge of where this safe's key is stored.

Electronic payments come from the Sewer Collections Department online payment system, where patrons can pay with a credit card or e-check. They can also come from automatic transfers from patrons' banks. When these payments come through, the F&E Check Pros system gives the Sewer Collections Department an automatic notification that an electronic payment has been made to the bank, and the related amounts are automatically uploaded into the proper accounts in eGovPro.

At the end of the day, a report is run of all electronic payments that were deposited into the City bank account for the day. The Sewer Collections Department Administrative Assistant prepares a report and a deposit slip that shows all automatic bank deposits for the day, electronic and physical. This report is checked against an eGovPro report showing the day's activity for the department to make sure all payments were automatically uploaded in the proper amounts. The deposit slip and the receipts are stored in the Sewer Collections Department safe until the next day. The Sewer Department Administrative Assistant takes the deposit slip and receipts to the City Auditor's Office the next day, where a City Auditor staff member stamps the receipts as received and initials the stamp. They are then placed in the City Treasurer's drop box.

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On rare occasions the department receives cash payments for billings. When this occurs, the cash is remitted to the City Treasurer's drop box along with the related receipt and reports for the day. Cash is transported in a locked bank bag.

Parks and Recreation

The City of Massillon Parks and Recreation Department brings in several kinds of receipts. The most significant are related to recreation center membership fees, day passes, and golf course league and greens fees. They also bring in money from sources such as concessions at the golf course.

New memberships must be paid in person at the Recreation Center, while membership renewal payments can be made in person at the recreation center or over the phone with a credit card. The front desk staff takes in these payments as well as one day pass receipts. Memberships and daypasses can be paid by cash, check, or credit card.

There are three cash drawers at the front desk. The cash drawers are linked to a software program called RecWare. When a day pass is purchased by a new customer, the staff enters the customer's name, address, residency status, phone number and date of birth. If the day pass is sold to a returning customer, the information is verified and updated as needed. The appropriate day pass is then selected from the system (depending on the customer's age and residency status). The system then proceeds through the checkout process, with payments accepted by cash, check, credit or debit card, or gift card. When a customer comes in to make a membership payment in person, they have two options. They can pay the membership in full or set up a payment plan. In either case, the same information is entered into the system by the staff as for a day pass in addition to the names of family members, if applicable, and the membership plan selected. If the customer is setting up a payment plan, a \$20 administration fee is added and the customer's account or credit card is automatically charged every eight weeks for a total of four payments.

The drawers are all balanced in the morning by the Building Monitor on duty. Each front desk staff member is responsible for one drawer during their shift, which they balance again at the beginning of their shift. At the end of each shift, the Front Office Coordinator balances the staff member's drawer, matching the receipts in the drawer to the Cash Receipt Report run from the RecWare program for that drawer. The receipts and the Cash Receipt Report and funds are placed into a locked bank bag in the Parks and Recreation Department Safe. At the end of the day, the Building Monitor on duty uses a Cash Distribution by Account summary and detail to tie out the total receipts in the bank bag in the safe. The receipts are entered into a Daily Log spreadsheet by the Building Monitor, and the receipts are stored in the safe overnight. The combination for the safe is known by all three Building Monitors, the Front Office Coordinator, Office Manager, Parks and Recreation Director, and the Sports Supervisor. The next morning, the receipts and reports are tied again by the Building Monitor on duty before the receipts, the Cash Disbursement by Account summary, and the daily deposit slip are transported by the Front Office Coordinator to the City Treasurer's drop box in a locked bank bag.

The Parks and Recreation Department later receives the related pay-in orders and a related Revenue Audit Trail Report for the deposits from the City Auditor's Office. The Revenue Audit Trail report is tied to the Daily Log spreadsheet, at which point the printed spreadsheet is initialed and dated by the staff member assigned to the duty and the Office Manager upon review.

Credit card receipts are tied out to the day-end reports each day and are balanced weekly with a bank statement that is sent from the City's Auditor's Office. Once a month, a total deposit slip for that month's credit card receipts is sent to the City Treasurer for posting to the City Treasurer's bank activity spreadsheet and the system.

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Legends Golf Course is operated as a division of the Parks and Recreation Department. Legends utilizes two separate software systems for point of sale revenues. A software system called FORE is used for golf league and greens fees, while a system called Restaurant Manager is used for food and concession sales.

At the golf course, all staff members have access to the safe, and day-end closeouts are done by whichever staff member is closing the golf course that night. Closing procedures are done separately for the greens fees and concessions. At the end of each day, the front desk staff prepares a daily Closeout Sheet for cash register collections. The staff member calls the police department, which sends a police escort to the bank with the employee. The closing employee puts the receipts and the Closeout Sheet in the overnight drop box. In the morning, the bank does not deposit the funds, rather, the golf course manager goes to the bank and picks up the funds and takes them back to the golf course. The manager, or designated employee, obtains an online Credit Card Settlement Report from ETS Corporation, and balances the Credit Card Settlement Report and the Closeout Sheet to the Sales Detail Report from the FORE system. A calculator tape is run of the individual credit card receipts from the previous day and is reconciled to the Credit Card Settlement Report. Any discrepancies are recorded on the daily spreadsheet. Two deposit slips are then prepared, one for cash receipts and one for credit card receipts. The deposit slips include the account breakdown for the receipts. The manager or designated employee verifies that all receipts are accounted for, then the deposit slips, cash, and calculator tape used to tie out amounts are forwarded to the City Treasurer's drop box. Golf Course revenue documentation is stored in the Parks and Recreation Department at the recreation center for a year along with the revenue documentation for the center for a year, after which they are transported to off-site storage.

Golf course credit card receipts are handled in the same manner as parks and recreation credit card receipts.

Income Tax Department

The City levies a municipal income tax of 1.80 percent on all salaries, wages, commissions and other compensation, and the net profits earned within the City, as well as income of residents earned outside of the City. 1.50 percent goes directly to the general fund, with the remaining 0.3 percent going to parks and recreation. The City allows a credit of 100 percent of what is paid to another municipality to a maximum of 1.8 percent of taxable income. The City of Massillon Income Tax Department collects the City's Income Tax and deals with the collection of delinquent accounts. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City on a monthly basis unless the amount withheld is less than \$100, in which case it is on a quarterly basis. It is mandatory that all City residents and corporations file tax returns.

The Income Tax Administrator contracts with a third-party servicer to mail out postcards to the City's residents and businesses detailing where to find the City tax return online and print it out. The postcards are mailed to City residents and businesses in January each year. The annual tax return is due by April 15th. A declaration of estimated taxes for the new year is included as part of the annual return. Estimated tax payments are due quarterly by the last day of the month in April, July, October and January.

Payments to the Income Tax Office can be made in person at the City administrative building, by mail, or with a credit or debit card over the phone. Businesses can pay with a credit card online through the Ohio Business Gateway. Mail is picked up at the post office, at which time each piece of mail is stamped with the date and marked as received. Mail opening and processing duties are rotated among the staff under the supervision of the Income Tax Administrator. Tax returns received are sorted into six different batches each day. These batches are: Business returns with tax payments, business returns with a zero balance, business returns with refunds due, individual returns with tax payments, individual returns with a zero balance, and individual returns with a refund due.

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The tax return payments and refunds due are entered into the Municipal Income Tax Software system (MITS) by one of the Income Tax Office staff members, who also confirms the background information and supporting calculations and documentation with the returns. At the end of the day, a Deposit Journal Report is produced to show the activities of each separate batch. That report is sent with a receipt report and funds collected to the City Treasurer's Office at the end of the day or the day after. Once the City Treasurer has made the deposit and the City Auditor's Office has made the corresponding pay-in order, a copy of the pay-in order and the original receipt report are received from the City Treasurer. The Income Tax Office staff checks the pay-in order against the Deposit Journal Report for the corresponding day to make sure the totals match. If they do not, the discrepancy is investigated and corrected.

The Income Tax Office also receives payments for the preparation of City returns by Income Tax Office staff. Patrons may bring their blank tax returns to the Income Tax Office and have it completed by the staff. Patrons are charged five dollars for tax returns prior to the April 15th deadline, and \$10 for late returns, as per Massillon codified ordinance 181.05(e). The preparation fees must be paid in cash, and patrons receive the white copy of a hand-written receipt for paying the fee, while the yellow copy is retained in the receipt book for the office's records. The fees are not remitted to the City Treasurer's Office every day if a significant amount was not received, but are held in the Income Tax Office safe. When they come to a total of at least \$100 to \$200, a tax preparation fee receipt is prepared for the total amount, and is remitted to the City Treasurer with the corresponding cash. There is no policy establishing a limit on how long the tax preparation fees should be held in the Income Tax Office. The pay-in orders and receipts received from the City Treasurer are stored in the Income Tax Office.

Once an amount of income taxes has become two years delinquent, it is turned over to a collection agency, Centralized Business Solutions Company (CBSC). At this point, patrons may still make the delinquent payments directly to the Income Tax Office. Once a month, the Income Tax Office staff prepares a list of delinquent payments made to the office and sends the list to CBSC so the company knows not to collect those amounts.

Municipal Court

The Massillon Municipal Court has jurisdiction within Western Stark County. This encompasses the Cities of Massillon and Canal Fulton; the townships of Bethlehem, Jackson, Lawrence, Perry, Sugarcreek, and Tuscarawas; and the villages of Beach City, Brewster, Hills and Dales, Navarre, and Wilmot. The Clerk of Court has several divisions including Civil, Criminal, and Traffic. The receipting of fines, fees, and other funds is done by the Main Office, the Civil Office, and the Waiver Payment Bureau. The Civil Division and Waiver Payment Bureau maintain one cash drawer each per day, while the Main Office maintains up to three during peak activity. Payments can be made by clients in person by cash, check, credit card, money order, or cashier's check. Payments can also be made electronically online with a credit card.

The Massillon Municipal Court charges the same fines and court costs for all participating cities based on cost and fine schedules established by the Court and in compliance with the requirements of the Ohio Revised Code. The Clerk's Office maintains a current schedule of these rates and costs schedules and each employee of the Municipal Court possesses a copy.

Each morning, the three locations all obtain their cash drawers from the vault located in the Main Office. The cash drawers are all returned to the vault at the end of the day after day-end procedures are complete.

The Police Departments for entities under the jurisdiction of the Massillon Municipal Court send an individual to drop off the given entity's violations that need to be processed. Entities will send their violations at varying intervals, depending on the size and volume of activity of the entity. Received tickets are processed in the CJIS system, a centralized system that links all three municipal courts in Stark County, by a Traffic Clerk who enters the information from the ticket into the system. A second clerk then checks what was entered against the ticket and initials the ticket to verify it was entered correctly.

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When a payment is received by one of the deputy clerks, they bring up the case in the system and enter the amount paid. When the receipt is entered into this system it is immediately and automatically posted as revenue in the system. The client receives a printed receipt at the time of payment, while a second printed receipt is stored in the case file. The current case file folders are stored upstairs from the Clerk's Office, with older cases kept in storage in the basement of the building.

In the case of a ticket or violation that must go before a judge, the Clerk of Court's office signs the ticket out to the Judge. The Judge can print an entry from the system to be sent to the Clerk's office, or in the case of a ticket the entries can be hand-written on the back of the physical ticket. The Bailiff brings these tickets and entries back to the Clerk of Court's office, where the amounts are processed in the system. For cases that go in front of a Judge, fines and court costs must be paid that day unless the Judge authorizes a payment plan. For civil cases, court costs are due up front at the time of filing, and is processed in the system and receipts printed the same as when a ticket is paid.

When a client has not made a payment on any of his or her outstanding cases for six months, and there is not a warrant for their arrest, and the individual is not in prison, the account is turned over to Capital Recovery, a collection agency. The conditions of delinquency can be modified on a case by case basis by a judge.

At the end of the day, each deputy clerk who was responsible for a cash drawer must count it down and tie it to the Cash Receipt Totals report. The Waiver Payment Bureau and Civil Division must take their cash drawers to the Main Office where it is counted down and balanced again by a deputy clerk who did not take any cash payments that day. This second counting is done always with a supervisor present. This duty is rotated between the Chief Deputy Clerk, Criminal Division Supervisor, Traffic Division Supervisor, Assistant Criminal Supervisor, and Executive Assistant every couple of months. The Civil Division clerk that closes that day then transports the funds in a locked bank bag to the night drop box of First Merit Bank along with a police escort. In the morning, a Civil Division staff member goes to the bank and is present as the money is counted and a bank receipt is prepared. The Cash Receipt Totals reports are filed in the Clerk of Court Office.

On or before the 20th of the following month, the Executive Financial Director prepares disbursements for all of the entities under the Massillon Municipal Court's jurisdiction. This process begins by printing bank statements from First Merit online banking and performing a Criminal Cash and Check Reconciliation, a Civil Cash and Check Reconciliation, and a Bank Reconciliation. Once these reconciliations are complete, many reports are run from the system, including total receipt reports and detail versions of the reports that are broken down by entity. The Executive Financial Director checks the detail reports against the total reports and verifies amounts match using check marks. The detail reports are then looked over carefully to make sure all of the line items are coded correctly and are attributed to the correct entity. Next, the Total Cash Receipt Report and Total Cash Disbursement Reports are checked against the Cash Journal spreadsheet that the Executive Financial Director maintains to track revenues and disbursements. Once this is verified with check marks, a Draft Check Report is printed from the system. This report is also checked against the other system reports to make sure amounts and entities are correct. A spreadsheet is also maintained that ties to the detail reports by entity. Once accuracy is verified, or any needed corrections have been made, a Final Check Report is generated. This report displays each entity and the check numbers and amounts. The physical checks for each entity are printed immediately following the Final Check Report, and are checked against that report for accuracy, with the Final Check Report receiving check marks to verify the match. The Chief Deputy Clerk signs the checks, after which they are placed in envelopes with the detail report for that entity and mailed. The remittance amount for the City of Massillon and the detail report are sent to the Treasurer's Office.

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The City Treasurer and City Auditor's Office process the receipts and pay-ins in a manner identical to the process for all other receipts. After a deposit slip is created by the City Treasurer, the City Auditor's Office staff creates pay-in orders for the receipts and posts them to the eGovPro system just as all other receipts are entered. The Court receives back a copy of their pay-in sheet as well as the pink copy of the pay-in orders.

Auditor of State Comments

- According to Revised Code Section 9.38, all monies receipted must be remitted to the City Treasurer by the next business day after receipt. If the amount is less than \$1,000 and a policy is specifically adopted outlining the procedures, the monies can be held up to a maximum of three business days after the day of receipt. The Income Tax Department frequently holds monies for more than a day if the total is less than \$100, and no policy has been adopted. The City should institute a specific policy outlining how many days cash may be held, up to a maximum of three, and relevant procedures.
- Park and golf course credit card receipts are posted in a monthly lump sum amount one month in arrears. Park and golf course credit card receipts should be posted at least on a weekly basis.

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Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchase of items should be in agreement with the budget. The process should include selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the City Auditor's certification of the availability of funds stating that the amount has been appropriated and is encumbered. 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 purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the 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 do not extend beyond year end in an amount established by resolution of City 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 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 fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained 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 and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

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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 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 City Council has thirty days from 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 City.

Authority to Contract - Contracts are authorized by the City Council and signed off on in the name of the City by the Safety Service Director, Board of Control Secretary, City Law Director and City Auditor, except as otherwise specified by State statute. Contracts over \$50,000 are awarded by the Board of Control.

Bidding - All contracts calling for expenditures in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Council must authorize and direct all such expenditures. 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 City if 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.

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.

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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 are made.”

Methods Used by the City

A City department makes the decision that they need to purchase an item or obtain service from an outside vendor. This process is initiated by a requisition. The requisition form is filled out by the employee who plans to make a purchase, typically the department head or clerk. The form is completed using information such as the name of the department submitting the requisition, a description of the planned purchase, the account code from which the purchases will be made, and the dollar amount of the purchase. The form is then signed by the head of the department indicating his or her approval. The department head then submits the requisition form to the Safety Service Director via interoffice mail for further review and approval. The Safety Service Director approves the requisition by initialing it and then forwards it to the City Auditor’s Office.

The Deputy Auditor of Accounts Payable first checks the requisition form, verifying that the proper account code was entered by the respective department, and determining whether sufficient funds have been appropriated against which to encumber the funds necessary for the requisition. This is determined by checking the available funds in the City’s eGovPro software. In the event that sufficient funds are not available for the given account code, the requisition form is returned to the respective department and the department is notified that there are not sufficient funds. The department then has the option to either transfer funds from a different account code to the one in question, or they can go through the appropriation process to get additional funds appropriated. If appropriated funds are available, the Deputy Auditor of Accounts Payable enters the requisition information into the computer system and places a check mark on the original requisition form to show that the information has been verified. The requisition is then forwarded to the City Auditor, who then reviews and approves the requisition by signing it.

Once all requisitions for a day have been entered into the computer system, the Deputy Auditor of Accounts Payable generates a calculator tape of the total amount of all requisitions submitted to the City Auditor’s Office that day. This is sometimes done the next morning. The calculator tape is compared to the Purchase

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Order Status Report, which is run and printed from the computer system, to ensure completeness and accuracy of the inputs. Discrepancies between the calculator tape and the report are prevented by the Deputy Auditor of Accounts Payable by double checking inputs both before and after printing the purchase orders and reports. If and when discrepancies do occur, it is generally due to a transposed number or mistyped word, at which point the correction is made in the system and the report rerun. The Deputy Auditor of Accounts Payable then initials both the calculator tape and Purchase Order Status Report to indicate that they have been checked against each other and staples the two together to be kept in the records.

At this point, the Purchase Orders are submitted to the Safety Services Director and then the City Auditor for final review and approval. The Safety Services Director signs the purchase orders to signify approval, followed by the City Auditor's review and approval. Three copies of each purchase order exist at this point: A white copy, a yellow copy, and a pink copy. The yellow copy is kept by the City Auditor's Office, the pink and white are returned to the respective department head. The pink copy is kept by the department until they are ready to liquidate, or pay out, the purchase order. The white copy is available to be sent to the vendor if they desire, but it is rare that they want a copy.

A vendor list is maintained in the eGovPro system and a physical copy of the list is kept in the City Auditor's Office. Purchase orders can only be created using a vendor from the approved vendor list. When a department wants to go through a vendor that is not yet in the City's system, the Deputy Auditor of Accounts Payable is notified. The Deputy Auditor of Accounts Payable conducts a search of the Auditor of State Findings for Recovery Database to ensure there are no findings for recovery against the new vendor. The Deputy Auditor of Accounts Payable then adds the vendor into the system and forwards the newly created vendor number to the department in question so that it can be placed on the requisition form.

There is no official process for selecting a vendor for a purchase. The vendor is specified by the department submitting the requisition, and is typically based on familiarity with a vendor for a given product which is developed over time.

In the case that there are items on the requisition form that should be capitalized, it is the duty of the department to obtain a fixed assets acquisition form, fill it out, and submit it with the requisition form. During the process of requisition verification by the Deputy Auditor of Accounts Payable, if it is found that there is an item on the requisition that should be capitalized that does not have an accompanying fixed asset acquisition form, it is flagged and then given to the Deputy Auditor of Capital Assets. The Deputy Auditor of Capital Assets then returns the requisition to the department and notifies them that a fixed asset acquisition form is needed.

Blanket Purchase Orders are used for the purposes of office supplies, the servicing of office machinery, travel seminar and schooling, and recurring expenses of the courts. As expenditures are made against these blanket purchase orders, invoices will be sent with signed copies of the blanket purchase order attached to the Deputy Auditor of Accounts Payable, who processes them in the same way all other invoices are processed.

Council authorizes the City to advertise for bids. The Safety Service Director advertises for bids in the Massillon Independent newspaper as well as on eblueprint.com. Bids are submitted from the various bidders, who must supply the City with various documents at that time. These documents include an explanation of the materials and work covered by the bid price, descriptions of past contracting experience and performance indicators on those contracts, disclosure of any reprimands regarding past construction experience, terrorist exclusion list and property tax affidavit forms. In addition, the bidder must certify by signing the bidding form that they are aware of and in compliance with the requirements of Ohio Revised Code Section 3517.13 regarding campaign contributions. They also certify in this way that they are not in the Auditor of State findings for recovery database. Once the open bidding period has ended, the Board of Control reviews the

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bids and awards the contract to the firm they decide has made the best bid as determined by price and other factors. The Board of Control is made up of the Service Director, the Mayor, and the City Engineer. Meetings of the Board of Control are recorded in minutes that are stored in the City Engineer's Office. Once the contract has been awarded, five copies total copies of the bid book, which contains all bid documents and contracts, are generated. The original is kept in the Engineer's Office, while the four copies go to the City Auditor, the Equal Employment Opportunity Program head, the contractor, and a field copy for the City Engineer's Office.

Auditor of State Comments

- The original purchase order is not sent to the vendor automatically. The purchase order should always be mailed, emailed or faxed to the vendor.
- The City occasionally issues purchase orders to a vendor before all the required information has been turned in and the City Auditor has given approval. The City should have all new vendors fill out the IRS Form W-9 and the City Auditor should approve the vendor before placing orders with that vendor.
- The City does not have a formal purchasing policy and purchasing procedures for the City are not documented. A purchasing policy for the City should be developed, adopted by ordinance, and distributed to all departments.

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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 City. 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), a properly executed certification by the City Auditor and a determination whether there is adequate cash in the fund to pay the obligation. All warrants should be signed by the City Auditor and recorded in the cash journal and appropriation ledger. Vouchers should be filed numerically or by vendor.

Statutory Requirements

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

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

Restrictions - Money is drawn from the City treasury only for appropriations enacted by the City Council. Appropriations from each fund may be used only for the purposes of such fund.

No Certification - If no certificate is furnished as required, upon receipt by the City 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 City 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 one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the taxing authority of the subdivision or taxing unit, if such expenditure is otherwise valid.

Administrative Code Requirement

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

City of Massillon – Stark County

Report on Accounting Methods

Methods Used by the City

The Deputy Auditor of Accounts Payable performs the disbursement functions, with the review and approval of the City Treasurer and City Auditor.

The cash disbursement process begins with the receipt of goods and services. These goods and services are delivered directly to the department that originated the Purchase Order. At that time, the department head verifies that the goods received and the accompanying invoice match the Purchase Order. The department head signs and dates the purchase order to indicate that this verification has been completed. This also indicates that the purchase order is approved for payment. The department head then forwards the initialed copy of the purchase order as well as the invoice received at the time of delivery to the City Auditor's Office via interoffice mail.

The Deputy Auditor of Accounts Payable enters the invoice amounts into the eGovPro computer system and initials the purchase order and invoice. Once all of the invoices are entered into the computer system for a given day, the Deputy Auditor of Accounts Payable generates a calculator tape of the total amount of all of these invoices. The calculator tape is compared to the Invoice Status Report, which is generated by, and run from, eGovPro in order to verify the accuracy and completeness of all computer entries. This is sometimes done the following morning. When these invoice amounts are entered into the computer system, the budgetary system is automatically updated. These updates are reflected in the Post EJ Journal Entries Report, which is printed out in response to these changes. The Post EJ Journal Entries Report is reconciled with the Post Register, which lists the check numbers and amounts paid, and the Journal Entry by Batch Report. If these reports match properly, the Deputy Auditor initials all reports. It is sometimes the case that there will be multiple batches, and therefore multiple Post EJ Journal Entry and Journal Entry by Batch reports that go into a single Post Register. When this occurs, the reports will not directly tie. When added together, the totals of the Journal Entry by Batch reports will tie to the total of the Post Register report. Multiple batches generally occur as a result of the fact that some expenditures do not go through the purchase order process and are run directly through the expense journal. This is true of the law library, for example, which is paid in total once a month and the amount is not known ahead of time. These reports are stored together by day with the related calculator tape for the duration of the current month. At the end of each month, they are put together and stored in bulk by month.

The warrant checks are then ready to be printed for payment. The warrant checks are printed from the system on to blank, perforated check paper that does not contain the City's name, account number, check number or any other information. This information is printed on the check through the check-printing process. When the checks are printed, the computer system automatically updates the related encumbered balance, account balance, and overall cash balance. The Post Register is then submitted to the City Treasurer. The City Treasurer uses the Post Register to input the checks printed that day into the bank activity register in excel. This register logs all monies coming in and out of the general cash account.

The check stubs include the P.O. number, amount, and vendor. The City Treasurer and City Auditor's signatures are both required on the check. The signatures for the City Treasurer and City Auditor are saved in the printer and print on the warrant checks when they are printed. Though there is wide access to the printer, the use of the signatures is password protected. In addition, only the computers of the Deputy Auditor of Accounts Payable and the Deputy Auditor of Payroll have the capability to print checks.

Manual checks are written on rare occasions. These are also entered into the computer system, but as "prepaid amounts" in order to avoid the system writing the same check number later. The control steps are the same for manual checks as printed ones.

City of Massillon – Stark County

Report on Accounting Methods

If an invoice is received that has no purchase order attached, the Deputy Auditor of Accounts Payable sends the invoice back to the department and notifies them that a purchase order needs to be obtained before sending the invoice back. When a purchase order is received that is dated after the attached invoice, the Deputy Auditor of Accounts Payable contacts the respective department head to obtain an explanation for why the purchase order was obtained after the invoice. The Deputy Auditor of Accounts Payable presents the purchase order and invoice in question to the City Auditor along with the verbal explanation from the department head. The City Auditor approves the purchase order and invoice by stamping the purchase order with a rubber stamp displaying it as a “then and now certificate.” Additionally, the City Auditor signs the purchase order showing her approval.

The Deputy Auditor of Accounts Payable conducts check runs once a week. This is usually done on a Friday. After the check runs are complete, voucher packets are created that consist of the Post Register and the purchase orders and invoices that support it. The voucher packets are stored numerically by check number in the City Auditor’s Office.

Some debt payments are made by physical check while others are made by wire transfers or ACH transactions. The Deputy Auditor of Accounts Payable processes the debt payments made by physical check in the same way all other cash disbursements are processed. Payments made by wire transfer are processed by the Chief Deputy Auditor. When the wire transfer is completed, the wire transfer confirmation and the online banking register showing the payment are printed. An invoice showing amounts to be withdrawn by ACH transaction is received and printed along with the online banking register showing the payment coming out. Wire transfers and ACH payments are processed as miscellaneous expense journals in the eGovPro system. All documentation for debt payments made by all three methods are stored together in the City Auditor’s Office.

When a check needs to be voided, the word “VOID” is written across the warrant and the date it was voided on is also written on it. In addition, the signature block is cut out. At the time the check is voided in the eGovPro system, the amount can be re-encumbered if need be. In addition, Post EJ Journal Entries, Open Journal Entries by Batch, and Vendor Check Pre-Register reports are run and printed reflecting the void. These reports are filed with the voided check itself.

Auditor of State Comments

- The City Auditor does not review the checks after they are printed and electronically signed. The City Auditor should review the printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.
- The City should document the procedures for cash disbursements including the staff positions and their functions. This document should also include procedures for invoices exceeding the purchase order and the use of “Then and Now” certifications. The document should be kept on file in the City Auditor’s office. The document should be reviewed periodically to ensure procedures are followed and it is kept up to date.

City of Massillon – Stark County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

The processing of the payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes, should also be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorized pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements

Section 705.13, Revised Code, states that the legislative authority of a municipal corporation shall, by ordinance, fix the salary of its members which 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, there shall be deducted a sum equal to two per cent 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.

Methods Used by the City

Full and part time employees are compensated biweekly. There are 241 full-time employees and 112 part-time employees with the City. For hourly and part-time employees, the pay period begins on Monday and ends on Sunday two weeks later. Pay checks are distributed to employees every other Friday. Elected officials are paid twice a month on the 15th and 30th of each month. City Council members are paid monthly on the 30th of each month. All employees are paid in accordance with the City's pay ordinance or bargaining contracts. Employees receive an earnings statement with each pay that indicates gross and net pay and withholdings for the pay period as well as year-to-date totals.

All salary schedules and negotiated contracts are approved by City Council. The respective department head and/or the City Auditor prepares and approves an "Employee Compensation Calculation Worksheet" once a change has been approved by City Council. The worksheet documents the new approved salary rate and overtime rate. The worksheets are sent to the City Auditor's office and kept in the employees' personnel files.

Personnel files are kept in the City Auditor's Office. The files contain forms for tax information, benefit information, direct deposit information, voluntary deductions, wage information, position information, hire date and any other information the City chooses to retain about the employee. The employee record in the City's accounting software also contains the payroll-related information kept in the City Auditor's Office. The Chief Deputy Auditor, the Deputy Auditor of Payroll, and the Deputy Auditor of Capital Assets have access to change employee records in the payroll system.

City of Massillon – Stark County

Report on Accounting Methods

The City's hourly employees use timesheets to track hours worked. Timecards show the dates, arrival time, departure time, and hours worked each day. The timecards are used to prepare the time sheets that are turned into the City Auditor's Office for payroll processing. Some salary employees are required to document daily time worked in order to track leave. Elected officials are not required to track hours worked.

Each department utilizes time sheets. Employee Time Sheets, which summarize regular hours worked, overtime, and leave taken for each departmental employee, are prepared by each department head or payroll preparer for each payroll period. Each Department Head calculates and documents total departmental hours worked and gross pay earned. Approval for each employee's pay for the payroll period is indicated by the Department Head's signature on each employee timesheet and on the total page. In addition to being approved by the respective department head, City Department time sheets are also approved by the Mayor and/or Safety Service Director; City Auditor's Office time sheets are approved by the City Auditor; Municipal Court time sheets are approved by the Administrative Judge; Police Department time sheets are approved by the Police Chief; Fire Department time sheets are approved by the Fire Chief; and Clerk of Court time sheets are approved by the Clerk of Court.

Non-bargaining Employees – City Ordinance 185-2006 approved an agreement between the City of Massillon and All Classified and Unclassified Employees and Supervisors covering the period of March 21, 2006 through March 29, 2009. City Ordinances 9-2012 and 10-2012 amended City Ordinance 185-2006. Ordinance 9-2012 set the employee payroll deduction for health insurance at 15 percent of the Employer's monthly cost. Ordinance 10-2012 suspended all step increases in pay based on years of service with the City. Non-bargaining employees are eligible to earn overtime compensation.

Bargaining Unit Employees - The City of Massillon bargaining unit employees are associated with one of four negotiated agreements, depending on the department, as follows:

Police Officers - The Police Officers are covered by a negotiated agreement between the City of Massillon and the Massillon FOP Henderson Lodge Police Officers Association. The current contract covers the period of July 1, 2012 to June 30, 2015. The contract contains detailed information pertaining to fringe benefits, absences, leave accruals and conditions of employment. Police Officers are eligible to earn overtime compensation.

Fire Fighters - The fire fighters are covered by a negotiated agreement between the City of Massillon and the Massillon Firefighters Association, Local #251. The contract covers the period of September 1, 2012 to July 31, 2015. The contract has detailed information pertaining to compensation, fringe benefits, absences and leave accruals. Fire fighters are eligible to earn overtime compensation.

Public Works Department Employees – Employees of the Public Works Department are covered by a negotiated agreement between the City of Massillon and AFSCME, Ohio Council 8, Local 996, AFL-CIO. The contract covers the period of March 1, 2013 to April 1, 2015. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Public Works Department employees are eligible to earn overtime compensation.

Wastewater Treatment Department Employees – Employees of the Wastewater Treatment Department are covered by a negotiated agreement between the City of Massillon and AFSCME, Ohio Council 8, Local 996, AFL-CIO. The contract covers the period of March 1, 2013 to April 1, 2015. The contract has detailed information pertaining to compensation, fringe benefits and leave accruals. Wastewater Treatment Department employees are eligible to earn overtime compensation.

City of Massillon – Stark County

Report on Accounting Methods

Elected Officials – City Ordinance 251-1995 (an amendment to City Ordinance 94-1994) established the base rate effective schedule of salaries for elected officials and City Council. Increases in salaries for each year are based on the prior year's United States Consumer Price Index. The City Auditor updates these salaries each year based on the previous year's CPI annual average. The updated salary information is provided to the Deputy Auditor of Payroll.

Overtime and Compensatory Leave – Employees work overtime in all the departments at the discretion of the department head. The overtime rate paid is time and a half. Overtime is submitted using the regular timesheets. The Wastewater Treatment Department, Safety/Electrical, and Street Department enter overtime information into the computer along with regular payroll. Compensatory time is earned in place of paid overtime at time and a half for all eligible employees.

Leave – Vacation, personal and sick leave is credited to each employee at the appropriate accrual rates indicated in the negotiated agreement or City Ordinance. Forms are used to request time off and are signed by the department head. The departments can track leave balances using the standard timesheets, which have sick, personal, and vacation balances for each employee. Each pay, the Deputy Auditor of Payroll gives departments Employee Benefit Listing reports to check leave balances against departmental records.

Payroll Processing – The Deputy Auditor of Payroll has written procedures for payroll processing, including month-end and quarter-end procedures. All approved Employee Time Sheets are submitted to the Auditor's Office for processing except for the Wastewater Treatment Department, Safety/Electrical, and Street Department. Employee Time Sheets are due each Monday of the pay week; for special pays, Time Sheets are due the Friday before the pay week. The information from the Employee Time Sheets is entered into the payroll system by the Deputy Auditor of Payroll or the Deputy Auditor of Capital Assets. The Wastewater Treatment Department, Safety/Electrical, and Street Department input the time sheet information for each of their employees into the computer, and the Deputy Auditor of Payroll imports the file into the payroll system. When she imports the remote time card file into the system, she also prints a report showing hours transferred. The hours transferred, which can also be found on the payroll time proof report, can be checked to the timesheet summaries totals for those departments inputting their own time sheet information. After all Employee Time Sheets are entered, the system generates the Payroll Register. The Deputy Auditor of Payroll or the Deputy Auditor of Capital Assets compares the total gross departmental pay from the Payroll Register to the total gross pay calculated by each Department Head, including the departments that enter their own timesheet information. A check mark is placed next to the gross pay amount on the Employee Time Sheet total page as evidence of review.

Once the Payroll Register is reviewed and deemed accurate, the checks are processed by the system. The system generates a Payroll Distribution Report, which shows the accounts/funds to which all disbursements have been posted. The Deputy Auditor of Payroll or the Deputy Auditor of Capital Assets reviews the report to ensure that all disbursements have been posted to the correct account/fund. The report is signed by the City Auditor as evidence of review. The Deputy Auditor of Payroll also runs numerous other reports that summarize gross pay, deductions, and net pay; report direct deposit and other bank transmittal information; and show preliminary vendor check amounts, posting activity, and journal entries.

Nearly all of the City's employees receive their pay through direct deposit. Paper checks are generally only used for the first pay for a new employee or the first pay after payroll changes have been made for an employee. Direct deposit earnings statements or paystubs are printed and distributed to each employee. Direct deposit earnings statements or paystubs contain current and year-to-date taxes and other deductions information, current and year-to-date wages, and leave balances. Someone from each department signs the payroll pickup sheet at the City Auditor's Office and delivers that department's payroll.

City of Massillon – Stark County

Report on Accounting Methods

A “zero” payroll bank account is maintained with First Merit Bank. As payroll checks are cashed, monies are transferred from the general checking account to the payroll account to cover the amount of payroll disbursements for the day.

No formal payroll account reconciliation is performed because the amounts become part of the City Treasurer’s spreadsheet of debits and credits. The Deputy Auditor of Payroll gives the City Treasurer summarized payroll information (payroll summary reports for each period of the month). The City Treasurer also gets an outstanding checks list and a checks cashed list each month. The City Treasurer includes the payroll amounts in her spreadsheet of debits and credits for the month. The spreadsheet is reconciled to the Bank List report and the Cash Position Report, which are both generated by the City Auditor. This ensures that the payroll expenditures made each month are properly updated to the City’s general ledger.

Internal Revenue Service W-2 forms are processed by the end of January of the new calendar year. W-2 forms are distributed to all employees by the beginning of January. The Deputy Auditor of Payroll uses instructions printed each year in the SSI handbook for processing W-2 forms and submits them to the IRS.

Payroll Deductions – Payroll, tax, and retirement forms are distributed to each new employee to be completed and returned to the City Auditor’s Office. The Deputy Auditor of Payroll or the Deputy Auditor of Capital Assets enters the employee’s demographic and salary information into the computer. She creates the employee record and notifies the appropriate retirement system of each new hire that is required to become a member.

Payroll deductions for OPERS, Ohio Police and Fire Pension System, and Medicare are processed through the payroll system. After every pension period, a report is run for OPERS and the Ohio Police and Fire Pension System to determine the employer’s share for each retirement system. The Deputy Auditor of Payroll submits the OPERS report online and prints out a hard copy report. She fills out an Employer Payment Remittance Advice form that is mailed to OPERS along with the checks. The OPERS report and payment as well as the Ohio Police and Fire Pension System employee portion are due the last day of the following month. The Ohio Police and Fire Pension System employer portion report is due on the last day of the month at the end of the following month. The Deputy Auditor of Payroll mails the Ohio Police and Fire Pension Report of Retirement Deductions form and faxes the Summary of Payment Remittance Information; the payment is by wire.

The Deputy Auditor of Payroll checks voluntary deductions totals from the Current Period Register to spreadsheets that are set up for each deduction type, such as union dues, deferred compensation, or YMCA deductions. She also runs Deduction Pre-Print Registers, a Deduction Key Recap, a Deduction Update Report, and various other reports that show city tax accumulations, weekly credit union deductions, and matching amounts for pensions and Medicare.

Retirement - When an employee wishes to retire, he or she may provide a letter stating their intention to retire. The City receives various communications from the Ohio Public Employees Retirement System (OPERS) or Ohio Police and Fire Pension Fund (OP&F) verifying that the employee is retiring under OPERS or OP&F. OPERS or OP&F is sent notification of the employee’s last working day and payroll information.

The department head will send a sheet to the City Auditor’s Office showing the leave balances the department has recorded for the employee. The Deputy Auditor of Payroll checks the department’s leave balances against the system Employee Benefit Listing and uses the listing to calculate final pay. Since leave balances from the system Employee Benefit Listing are checked regularly to the departmental leave balances, differences should be easily resolved. The Department Head, Administration, and City Auditor sign the final payout.

City of Massillon – Stark County

Report on Accounting Methods

Auditor of State Comments

- The employee who processes payroll has access to and is responsible for making rate adjustments and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.

City of Massillon – Stark 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. Before any debt is issued, a resolution or ordinance authorizing the issuance of debt should be passed by the Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of Council and the Director of Finance. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing legislation. Money to be used for debt payments may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to cities are found in Chapter 7. The statutory requirements vary depending on the nature of the debt being issued.

Section 133.05, Revised Code, provides a municipal corporation shall not incur net indebtedness that exceeds an amount equal to ten and one-half per cent of its tax valuation, or incur without a vote of the electors net indebtedness that exceeds an amount equal to five and one-half per cent of that tax valuation. In calculating the net indebtedness of a municipal corporation, self-supporting securities, certain securities for which there is an agreement with another subdivision to pay to the municipal corporation amounts equivalent to debt charges on the securities, securities that are not general obligations of the municipal corporation, securities that a covenants to appropriate annually municipal income taxes or other municipal excises or taxes, and certain other types of securities are excluded from the net indebtedness.

Methods Used by the City

The Chief Deputy Auditor monitors debt payments using the debt service schedules and other information related to each issue. Debt issuances are authorized by City ordinance. The statute authorizing the issuance is identified in the ordinance as well as the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

Upon request from a department head, the Finance Committee is responsible for making the initial decision to issue debt for a project. The Finance Committee then brings the legislation to City Council for a vote. Debt instruments are signed by the Mayor and the City Auditor. The money comes from property taxes levied and collected, income tax collections and revenue from recreation fees and sewer usage. The Chief Deputy Auditor makes all wire transfers to the paying agent related to debt issues. One debt issue is paid by check, which is also processed by the Chief Deputy Auditor.

City of Massillon – Stark County

Report on Accounting Methods

The City’s outstanding governmental long-term obligations are as follows:

<i>Governmental Activities:</i>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Issue</u>	<u>Balance</u> <u>12/31/13</u>
<u>General Obligation Bonds</u>				
Senior Center Bonds	8.00-8.50%	December 1, 2014	\$1,300,000	\$55,000
Park and Recreation Bonds	5.20	December 1, 2031	12,340,000	3,955,000
Lincoln Center Phase II Refunding Bonds	1.50-4.00	December 1, 2014	3,065,000	305,000
Golf Course Construction Refunding Bonds	1.50-7.16	December 1, 2031	7,281,233	5,802,752
Marketplace Infrastructure TIF Bonds	1.50-4.20	December 1, 2023	1,774,999	1,106,529
Lincoln Center Phase III Bonds	4.09	December 1, 2027	2,569,998	2,017,986
Various Purpose Improvement Refunding Bonds - 2012A	2.00-4.13	December 1, 2026	7,580,000	7,025,000
Various Purpose Improvement Refunding Bonds - 2012B	6.00	December 1, 2024	925,000	<u>925,000</u>
Total General Obligation Bonds				<u>21,192,267</u>
<u>Other Long-Term Obligations</u>				
OPWC Loan	0.00	July 1, 2026	492,629	308,971
HUD Section 108 Loan	6.75	August 1, 2109	2,250,000	1,485,000
Total Other Long-Term Obligations				<u>1,793,971</u>
Total Governmental Activities Long-Term Obligations				<u><u>\$22,986,238</u></u>

The City’s outstanding business-type long-term obligations are as follows:

<i>Business-Type Activities:</i>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Original</u> <u>Issue</u>	<u>Balance</u> <u>12/31/13</u>
<u>Other Long-Term Obligations</u>				
OWDA WPCL Fothergill Loan	3.81%	July 1, 2020	\$1,407,776	\$577,932
OWDA WWTP Upgrade Phase I Loan	1.26	Not Finalized	6,131,478	3,410,428
OWDA WWTP Upgrade Phase II Loan	1.26	July 1, 2024	36,018,868	20,117,676
Total Business-Type Activities Long-Term Obligations				<u><u>\$24,106,036</u></u>

Auditor of State Comments

None

City of Massillon – Stark County

Report on Accounting Methods

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the City should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the City should be adequately safeguarded against loss or theft. The City should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase the asset, tag number, whether the item is leased, and current purchases and disposals. The purchase and disposal of an asset should be properly authorized, reported to and promptly recorded by the City Auditor, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually.

Consumable materials and supplies include office supplies, gasoline, salt and wastewater chemicals. Inventories, where appropriate, should be monitored, controlled, and physical counted periodically to determine the items and quantities in existence. A physical inventory of all material items should be conducted at or near the fiscal year end date.

City Codified Ordinances

Ordinance 134-2008 adopted the Capital Asset Policy Manual, and ordinance 27-2010 amended the Capital Asset Policy Manual. (The amendment concerned useful lives for calculating depreciation.)

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all public offices should maintain fixed 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. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

City's Method of Accounting for Capital Assets

The City has an ordinance for capital asset policies. The Deputy Auditor of Capital Assets maintains the capital asset records. The capitalization threshold is \$0 for land and land improvements; \$5,000 for buildings, building improvements and equipment; \$100,000 for infrastructure; and \$5,000 for buildings and improvements construction in progress and \$100,000 for infrastructure construction in progress. The ordinance defines capital assets as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, and all other tangible or intangible assets that are used in operations and that have initial useful lives of at least five years. Capital assets that meet the threshold amount are reported as capital outlay for budgetary and entered into the capital assets inventory. The capital asset inventory is the basis for the amounts reported in the financial statements. Assets which do not meet the threshold amount are accounted for as expenditures. The classification of capital assets includes land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. The City does not capitalize software. All assets are capitalized at cost or estimated historical cost. Maintenance costs are not capitalized. Improvements that will add additional life to the asset or increase the asset's service capacity are capitalized. The policy also addresses the treatment of donations and salvage value.

City of Massillon – Stark County

Report on Accounting Methods

The ordinance states that the City Auditor's office will monitor the Capital Asset Tracking System and capital outlay accounts throughout the year. It is each department or board's responsibility to complete the necessary form for each new lease and capital asset purchase and submit it to the City Auditor's Office.

The City Auditor's Office is required to have a capital asset acquisition form for anything purchased at or above the threshold. For all acquisitions at or above the threshold, the department head or other person handling the acquisition turns in a fixed asset acquisition form with the related requisition to the City Auditor's Office. For vehicle purchases, the VIN number and a copy of the title are also required. The Deputy Auditor of Capital Assets will assign an asset number to each item and enter it into the SSI system (after the end of the year). The information entered into the SSI accounting system includes asset number and class, property code (department), serial number if applicable, asset description, acquisition date, vendor, department, cost, purchase order number, estimated useful life, and annual depreciation. The title number and VIN number are also recorded for vehicles. The Deputy Auditor of Capital Assets also uses a separate spreadsheet to track vehicles and land.

If there is a sale, disposal or relocation of a fixed asset, the department head is to complete and sign the equipment relocation/disposal request form and submit it to the City Auditor's Office. When the Deputy Auditor of Capital Assets updates the SSI asset management system, she includes the date and method of disposal and any amount received from the disposal. Because the SSI system does not save any information related to disposed assets once the system is closed for the year, the Deputy Auditor of Capital Assets keeps a printout of the asset maintenance entry screen for each disposal. The printout contains the asset acquisition and disposal information. The printout is attached to a SSI system Asset Master Listing report showing disposals for the year. Disposals may go through the process of the City auction through the Mayor's Office. A City auction is held once a year if needed.

The Deputy Auditor of Capital Assets checks with the Chief Deputy Auditor concerning construction in progress (CIP) projects for new projects, completion of projects, and CIP value information. The Deputy Auditor of Capital Assets also checks with the City Engineer about the completion of any projects. Based on CIP information she obtains from the City Engineer, the Chief Deputy Auditor creates a spreadsheet of information for each project. The spreadsheet is given to the Deputy Auditor of Capital Assets, and she uses it to update her spreadsheet for CIP tracking. Projects in progress are not entered into the SSI system until the project is complete.

Depreciation is calculated on a straight-line basis. In the year an asset is acquired, a full year of depreciation is used. A full year of depreciation is then used for the asset each following year until the asset is fully depreciated or disposed of.

At year end, the Deputy Auditor of Capital Assets sends a detailed spreadsheet of all vehicles to each department for verification. She also sends a report to each City elected official, department, or board that shows each department's capital assets. Each City elected official, department, or board reviews the spreadsheet and report, fills out proper forms for any acquisitions or disposals not accounted for, and returns the forms to the City Auditor's Office. All changes and creations of reports are done in the City Auditor's Office.

Once a year, beginning after January 1, the Deputy Auditor of Capital Assets updates the SSI system with the additions and deletions information for the prior year. After this is complete, she also updates the spreadsheet tracking vehicles and land by adding acquired assets and related detailed information and by placing disposed assets in red font at the bottom of the sheet along with a description of the disposal for each asset.

City of Massillon – Stark County

Report on Accounting Methods

After the system has been updated after the end of the year, the Deputy Auditor of Capital Assets will print reports with this information from the SSI accounting system to be used in the preparation of the financial statements. These reports include a depreciation report, a listing of asset acquisitions and disposals for the year, and depreciation reports for each class of assets.

An asset tag aids in the positive identification of an asset. Each City elected official, department, or board will tag their own assets using a numbering system suitable to their needs. Vehicles and other items with unique permanent identification need not be tagged. Tagging varies from department to department and is not done city-wide.

Consumable Inventory

The City has a written policy for consumable inventory. In early December, the Deputy Auditor of Capital Assets will send an inventory of expendable supplies memo and forms to all department heads, reminding them to conduct their annual physical inventory. After conducting the physical inventory, the department heads send a signed list of their inventory items and totals to the City Auditor's Office. These inventory lists are the basis for the amounts reported in the financial statements.

Auditor of State Comments

- The City does not consistently use asset tags throughout all departments. Assets should be tagged in every department and the tag number should be entered on the fixed asset acquisition form as well as in the SSI system.
- The capital asset policy should be expanded to address private property (items belonging to City employees).

City of Massillon – Stark County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by the City should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

City Codified Ordinances

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

Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Ohio Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a city are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

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

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

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

Section 135.22, Revised Code, requires the Treasurer to attend annual training programs of continuing education for directors of finance provided by the Treasurer of State.

City of Massillon – Stark County

Report on Accounting Methods

Section 9.38, Revised Code, requires that monies received by the City are to be deposited on the next business day following the day of receipt, if the total amount of such monies received exceeds \$1,000. If the total amount of the monies received does not exceed \$1,000, the City shall deposit the monies on the next business day following the day of receipt, unless the City adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, and the monies are safeguarded until they are deposited.

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 City

The City has nine accounts in one bank. The City's investments include a money market account and another investment account through Huntington Bank, and a CD with First Merit Bank.

The City has signed depository agreements for all accounts and investments with First Merit Bank and with Huntington Bank. The City also has a depository agreement with JP Morgan Chase, although currently the City has no accounts or investments with that bank. The City's deposits are collateralized by the use of a collateral pool.

First Merit Bank serves as the primary depository where the general account receives wire transfers and deposits of the City. Checks are written against this account for City obligations other than payroll. Transfers are made from this account to the payroll account when needed. The general account earns interest, which is posted to various funds. The City Treasurer makes deposits to the general account each business day. The general account, together with payroll, is reconciled at the end of each month by the Deputy Auditor of Capital Assets.

The City has a checking account for Section 108 Loan Repayment Fund, which is used twice a year for debt payments. The account does not earn interest. The Deputy Auditor of Capital Assets reconciles the account at the end of the month.

The City has other checking accounts with First Merit Bank, including a Community Development Block Grant account, a Parks and Recreation account, a Legends Golf Course account, and a Utilities account. These accounts receive electronic funds/payments. These accounts do not earn interest. Transfers are made from the Community Development account to the general account for the department's payroll; transfers are also made to the Section 108 account twice a year for the debt payments. The Deputy Auditor of Capital Assets reconciles the accounts at the end of the month. Transfers are made from each of these accounts, except the Community Development account, into the general account at least once a month or more often if needed. These accounts are monitored closely to ensure that they are kept to minimal balances.

City of Massillon – Stark County

Report on Accounting Methods

Access to online banking accounts and the ability to transfer funds from one account to another is specifically defined and restricted for certain individuals. The Chief Deputy Auditor can grant access to online banking and account transfers by editing the user set-up online and calling the bank. The ability to transfer funds is restricted to the Chief Deputy Auditor, the Deputy Auditor of Payroll, and the Deputy Auditor of Capital Assets.

The City Treasurer makes deposits each business day and gives copies of receipts to the City Auditor's Office for the Chief Deputy Auditor to post to the accounting system. The City Treasurer tracks account balances on her own spreadsheet. At least once a week, the City Auditor's Office's accounting system Bank Listing is compared to the City Treasurer's spreadsheet. The City Treasurer initials each account balance on the Bank Listing as confirmation that it matches her spreadsheet balance.

After confirming that the City Auditor's and the City Treasurer's account balances are in agreement, the Deputy Auditor of Accounts Payable closes the books at the end of the month. Instead of waiting for the bank account statements to come in the mail, the Deputy Auditor of Capital Assets prints monthly bank statements from the First Merit website and proceeds to reconcile the receipts and disbursements as posted to the books to the deposits and withdrawals on the bank statements.

For the General Account, Payroll Account, and Community Development Account, the City Treasurer prints out her end-of-month spreadsheet, which is compared to the bank statement transactions to find timing differences between bank and book postings. Any discrepancies found are noted on the bank statement and posted during the reconciliation process. The Deputy Auditor of Capital Assets prints an account history of checks, marks issued checks as cleared in the accounting system, and verifies that the bank total of cashed checks matches her SSI total of cashed checks. The Deputy Auditor of Accounts Payable gives the Deputy Auditor of Capital Assets a report with the last check written for the month. Using the number of the last check for the month and the last check number from previous month's reconciliation, the Deputy Auditor of Capital Assets produces an outstanding checks report. The reconciliations are usually completed the first week of the following month.

When the reconciliations are completed, the reconciliations are reviewed and signed by the Deputy Auditor of Capital Assets, the Chief Deputy Auditor, and the City Auditor. The Deputy Auditor of Capital Assets attaches supporting documentation with each bank reconciliation, including the City Treasurer's spreadsheet, the bank statement, outstanding checks lists, and other support concerning errors, items not yet posted to the books, outstanding deposits, etc. All reconciliations are filed in the City Treasurer's office.

The City receives interest on the balance in one of its bank accounts. The City investments are limited to a money market account and certificates of deposit. All interest earned on the City's cash management pool is credited to various funds, based on their respective cash balances. These funds include general, street construction, state highway and motor vehicle license funds.

The City has an investment policy on file with the Clerk of Bureau but needs to submit an updated copy with the City Treasurer's signature. The investment policy does not address the allocation of interest. The Council has given the City Treasurer authority to make investments of available monies from the funds of the City in securities authorized by State law. The City Treasurer has attended training on investing offered by the State Treasurer's Office.

Voided accounts payable and payroll checks have "void" written on them by the Deputy Auditor of Accounts Payable and the signature block is cut out. The original is filed in the City Treasurer's Office; a copy is kept in the check register; and a copy is given the Deputy Auditor of Capital Assets. Any accounts payable and payroll checks that have not yet been used are also filed in the City Treasurer's Office.

City of Massillon – Stark County

Report on Accounting Methods

Ten departments have petty cash funds. These monies do not appear on the monthly bank reconciliations. Each department head is in charge of handling the petty cash funds and change funds in their department. In order to replenish one of these funds, receipts accompanied by the related purchase order must be turned in to the Deputy Auditor of Accounts Payable, and a check will be issued.

The Municipal Court has two checking accounts with First Merit Bank, a criminal account and a civil account. The accounts do not earn interest. Deposits are made daily by one of the deputy clerks on a rotating basis. The Executive Financial Director reconciles the accounts at the end of each month. The Clerk of Courts reviews the reconciliations with the Executive Financial Director, and the Clerk of Courts signs the reconciliations as indication of approval.

Auditor of State Comments

- The investment policy does not have the City Treasurer's signature and does not address the allocation of interest. It should be updated and filed with the Clerk of the Bureau.
- The City does not include the amount of petty cash maintained within City offices on the monthly reconciliation. The petty cash should be included on the City's monthly reconciliation.
- The City does not have written procedures for petty cash and the replenishment of it. The City Treasurer is the custodian of all funds. Written procedures should be developed for the petty cash which includes the individual designated as the custodian, and the custodian's duties and responsibilities.

City of Massillon – Stark County

Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

The fiscal officer should periodically provide Council with the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the City. In addition, information concerning the estimated and actual receipts, appropriation and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Director of Finance should prepare and publish within 150 days of year end financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Statutory Requirements

Section 117.38, Revised Code, requires that an annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year for reports prepared in accordance with the general accepted accounting principles (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

Administrative Code Requirements

Cities are required by Section 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

Methods Used by the City

The City prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The City filed a copy of its annual financial report to the Office of the Auditor of State for the year ended December 31, 2013 on May 29, 2014. The Chief Deputy Auditor publishes a notice of completion in the newspaper once audited financial statements are available.

Monthly reports are printed as soon as each month is closed. The City Auditor's office keeps copies internally for their reference but will print additional copies upon request. Copies of the monthly reports are given to the Mayor each month. City Council receives only the statement of cash position report each month.

The monthly financial reports consist of the following:

Revenue Report: This report provides adopted budgeted receipts, month-to-date receipts, year-to-date receipts, the amount of the budget remaining to be received, and the percentage of the budget received for each revenue line item.

Budget Report with Encumbrance Details: The report provides the current appropriations, month-to-date expenses, year-to-date expenses and encumbrances, the amount of budget still available, the amount of the budget remaining to be expended, and the percentage of the budget expended by expense line item. It also provides detailed information on the outstanding encumbrances.

Statement of Cash Position Report: This report provides the beginning fund balance, the month-to-date and year-to-date receipts and disbursements, outstanding encumbrances, and ending fund balances for all funds.

City of Massillon – Stark County

Report on Accounting Methods

In addition, the Income Tax Administrator prepares monthly income tax reports and provides those reports to the Mayor. The income tax reports become part of the Mayor's Monthly Report, which is posted to the City's website. The income tax reports include a narrative summary of income tax collections for the month, a month-by-month comparative income tax collections report, and an income tax revenue on a moving average graph.

Auditor of State Comments

None

City of Massillon – Stark County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The City Councils' minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Council's decisions. An ordinance, resolution, or by-law should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or by-law, the yeas and nays should be entered into the minutes and the ordinance, resolution, or by-law, 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 City.

Statutory Requirements

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

Sections 731.20 through 731.24, Ohio 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 Council 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 Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions or bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in a newspaper of general circulation in the City once a week for two consecutive weeks.

Sections 705.84 of the Ohio Revised Code requires that the Board of Control have stated meetings at least twice a week; keep a record of its proceedings; take its votes by yeas and nays, which votes shall be entered on the record; and adopt any motion or order only by a majority of the vote of all members of the board.

Methods Used by the City

The City holds their regular meetings on the first and third Monday of each month. The Clerk of Council records and takes notes during the City Council meetings. From those notes as well as an audiotape recording of the meeting, the Clerk of Council prepares the minutes of the meeting. The minutes include who is in attendance, reports that are presented by various departments and officials, the detail of topics discussed, resolutions and ordinances by number and description and the votes thereon, and other upcoming events. Any discussion during the meetings is transcribed verbatim into the minutes. The minutes are approved, signed and dated at the next council meeting. The typed minutes, resolutions and ordinances are stapled and kept in file folders in file cabinets in Council Chambers. Council holds committee work sessions to discuss various issues and gather information before each regular Council meeting, typically on the second and fourth Monday of each month. An audiotape is made of the work sessions, but because no formal action is taken, there are no typed minutes of these meetings.

Auditor of State Comments

None

City of Massillon – Stark County

Report on Accounting Methods

Conclusion

The methods described and included in this report are based on our inquiries and discussions with the City of Massillon personnel and the related procedures documented from the City's Policy and Procedures Manual, resolutions, administrative rules and the Ohio 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 City of Massillon are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.

City of Massillon – Stark County

Report on Accounting Methods

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Dave Yost • Auditor of State

CITY OF MASSILLON

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 2, 2014**