



Dave Yost • Auditor of State

**Village of Trimble
Athens County**

Report on Accounting Methods

Local Government Services

Village of Trimble - Athens 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 method, accuracy, and legality of the accounts, records, files, and reports of the Village of Trimble was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The control deficiencies and instances of non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Douglas Davis, Mayor of the Village of Trimble and Susan Hooper, President Pro-Tempore of Village Council.

"
" *Dave Yost*
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Dave Yost
Auditor of State

May 26, 2015

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Village of Trimble - Athens County

Report on Accounting Methods

Purpose

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

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

This report is intended solely for the use of the Auditor of State and the Village of Trimble. 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.

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Governance Overview

The Village of Trimble (the Village) is located in southeastern Ohio in Athens County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating as a statutory village, Trimble must comply with all State laws regulating village government. The decision making process is directed by an elected Village Council and Mayor.

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

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village. The Mayor makes recommendations to Village Council.

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

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

Services provided by the Village include street lighting, fire protection, street maintenance and repair, maintenance of state highways within the Village, and water operations.

On May 13, 2014, the Village was declared to be in a state of fiscal emergency by the Auditor of State in accordance with Revised Code Section 118.04. The Village of Trimble has a population of less than one thousand as of the most recent federal decennial census; therefore, in accordance with Revised Code Section 118.05(L), the Auditor of State serves as financial supervisor of the Village and has all of the powers and responsibilities of a financial planning and supervision commission.

These powers, duties, and functions may include:

1. Review all tax budgets, tax levy ordinances, bond and note resolutions or ordinances, appropriation measures, and certificates of estimated resources to ensure they are consistent with the financial recovery plan;
2. Inspect and secure copies of pertinent documents of the Village;
3. Inspect and secure copies of pertinent documents of the County or State agencies relating to the Village;
4. Review, revise, and approve determinations and certifications affecting the Village made by the County Budget Commission or the County Auditor;

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Report on Accounting Methods

Governance Overview

(continued)

5. Bring civil actions to enforce fiscal emergency provisions;
6. Approve the amount and purpose of any debt obligations;
7. Implement steps necessary to bring accounting records, accounting systems, and financial procedures and reports into compliance with rules established by the Auditor of State;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and the President of the Senate on the progress of the Village.

This Village is required to adopt a financial recovery plan which outlines the actions to be taken by the Village to eliminate all fiscal emergency conditions, satisfy any judgments and past due payables, eliminate deficits in all deficit funds, restore monies to all funds from which monies were borrowed or used for purposes not consistent with the fund, balance all budgets and accounts, maintain all current payments due, avoid any fiscal emergency condition in the future, and restore the ability to market long-term general obligation debt. By State statute, the Village must operate within the provisions of the adopted recovery plan.

In accordance with Revised Code Section 118.27, the Village will remain in fiscal emergency until it is determined 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. If after a two-year period, the Village has failed to secure full implementation, the Auditor of State may redeclare the Village to be in fiscal emergency;
3. The objectives of the financial recovery plan are being met; and,
4. The Village Council has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse".

Section 118.31 of the Revised Code provides the procedures for legal action to dissolve a municipal corporation. If a petition is approved by the financial planning and supervision commission, if any, the attorney general shall file a legal action in the court of common pleas on behalf of the state to dissolve a municipal corporation if the municipal corporation has less than five thousand residents as of the most recent federal census, the municipal corporation has been under fiscal emergency for at least four consecutive years, and the implementation of the financial plan cannot be reasonably expected to correct and eliminate all fiscal emergency conditions within five years. If the court of common pleas finds that all of these conditions apply, a receiver is appointed by the court to work with the officers of the municipal corporation to wind up the affairs of and dissolve the municipal corporation.

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

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Budgetary System

Description of an Effective Budgetary System

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

Statutory Requirements

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

Tax Budget - The Mayor should prepare an annual tax budget of the estimated receipts and disbursements for all funds of the Village for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the Village Council. At least one public hearing must be held for discussion of the budget, of which public notice shall be given by at least one publication not less than ten days prior to date of hearing in the official publication of the Village, or in a newspaper of general circulation in the Village. Village Council is required to adopt the budget by July 15 and the budget must be submitted to the Athens County Budget Commission by July 20 of each year.

The County Budget Commission examines the budget to ascertain that all tax levies of the Village are properly authorized. The Budget Commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Village Council's consideration. Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission. On or about October 1, Village Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

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

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Budgetary System

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

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

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

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

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

Administrative Code Requirements

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

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

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Report on Accounting Methods

Budgetary System

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Methods Used by the Village

The Athens County Budget Commission has waived the requirement for all subdivisions to file a tax budget; however, it requires subdivisions to submit information for the Budget Commission to perform its duties under Chapter 5705 of the Revised Code. Currently, the Budget Commission requires information regarding estimated resources only.

The Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the Village based on historical rates. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Village Council's consideration which is sent to the local entities in June. Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1. As of April 22, 2015, the Village has not approved and filed a resolution accepting 2015 rates and amounts.

The Village submits a Certificate of the Total Amount from All Sources Available for Expenditures, and Balances to the County Auditor after year end closing. The Certificate identifies the actual year end fund balances for each fund of the Village. The County Auditor then returns to the Village an Official Certificate of Estimated Resources. For 2015, per the County Auditor, there had been only one Official Certificate of Estimated Resources for the Village. This was certified by the County Auditor on March 10, 2015.

There were no appropriations passed by Village Council for the past few years.

Auditor of State Comments

- Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Fiscal Officer should begin a comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.
- The Village does not prepare a tax budget or tax ordinance as required by State statute. The County Budget Commission has waived the requirement for the filing of the tax budget; however, the requirement for the tax ordinance cannot be waived by the County Budget Commission. The Mayor is required to prepare a tax ordinance to determine the amount of the tax levy.
- The Village must approve and file the tax rates and amounts by Resolution to the Budget Commission for the following year before October 1.

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Report on Accounting Methods

Budgetary System

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- The Village does not compare actual receipts to estimated resources during the year or request an amended certificate of estimated resources when increases or decreases are appropriate as required by section 5705.36 of the Revised Code. The Fiscal Officer should perform a comparison of actual receipts to estimated receipts and present this comparison to the Village Council prior to requesting an amended certificate of estimated resources from the County Auditor.
- Section 5705.41 (B) of the Revised Code requires that appropriations need to be approved before the expenditure of money can be made. During 2014, the Village made expenditures when there were no appropriations approved by Village Council.
- No appropriation measure is effective until the county auditor files a certificate, which is then sent to the Village, that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources. This could not be completed for 2014 because there were no appropriations approved by Village Council.
- The Village had deficit fund balances contrary to Section 5705.10, Revised Code. Appropriations exceeded estimated resources contrary to Section 5705.39, Revised Code. The Village Fiscal Officer, as well as Council, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be ongoing and documented.

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Report on Accounting Methods

Chart of Fund and Account Codes

Description of an Effective Chart of Fund and Account Codes

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

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

Statutory Requirements

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

Methods Used by the Village

The Village does not use a governmental accounting software system. Records are maintained in a combination of a manually prepared cash journal and a manual ledger for disbursements, but no receipts ledger exists. The Village uses the individual fund names but does not use an account code structure.

Auditor of State Comments

Although the individual fund balances can be identified, receipt and disbursement codes need to be created to allow the transactions to be summarized by major revenue source or disbursement program. Major object codes for disbursements should be used consistently throughout the various program/activity codes. The creation of account codes would improve the quality of the Village's Annual Financial Reports which could also lead to the ability to more accurately forecast for future years.

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Accounting Journals and Ledgers

Description of Effective Accounting Ledgers

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

Administrative Code Requirements

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

Section 117-02-02(C)(1) of the Ohio Administrative Code requires that all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized 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 Fiscal Officer's office. The cash journal presents receipts deposited to and checks drawn against the Village treasury and the fund to which the receipts and checks were recorded. Entries to the cash journal are posted sequentially by date from source documents, such as pay-in-orders and checks. The related pay-in-order or check number, account codes, and date are also recorded for each transaction. At the end of each month, month to date totals and year to date totals are to be recorded.

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

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Accounting Journals and Ledgers

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

Methods Used by the Village

The Village uses a manually prepared cash journal utilizing columnar paper to record receipt and disbursement transactions by fund. At the Council meetings, the Fiscal Officer provides a monthly report that shows total receipts and disbursements by fund and the ending fund balances.

Auditor of State Comments

The Village is maintaining only a manual cash journal. A receipts ledger and appropriations ledger need to be created so the Village can make a comparison of estimated receipts to actual receipts and a balance of the estimated amount remaining to be collected is not being maintained. Likewise, for appropriations a comparison of disbursements to appropriations, the amount encumbered, and the unencumbered appropriation balance is not being maintained. This information must be maintained to ensure that appropriations are not made that exceed estimated resources available for appropriation or that amounts are not encumbered or disbursed that are in excess of amounts appropriated.

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Receipt Transactions

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

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

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

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Receipt Transactions

(continued)

Administrative Code Requirements

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

Methods Used by the Village

Summary of General Receipts - The Village does not have a receipt book or pay-in-order forms that are a pre-numbered multi-part form. All general receipts are processed by the Village Fiscal Officer. Receipts are received in the mail in the form of checks or are directly deposited. The Fiscal Office receives stubs in the mail supporting the direct deposits. Deposits are taken to the bank daily, if money is received. Receipts along with the corresponding deposit slip are filed in a monthly folder together. Receipts are not posted to a receipts journal. All receipts are posted to a manual cash journal monthly. The checking account earns interest which is posted monthly to the manual cash journal by the Fiscal Officer.

Summary of Mayor's Court - The Mayor's Court is fairly inactive since the Village discontinued its police program in 2012. In the event of needed Mayor's Court activity, the Fiscal Officer remits monies collected for the Village by the first Monday of the month following receipt. The Fiscal Officer reports the activity to Council. Council reviews the monthly statement of all money received, from whom and for what purposes received, and when paid into the Village treasury. Council acknowledges this activity in the Minutes.

Summary of Water Receipts - The Village currently contracts with the Burr Oak Water District for billing the consumers for the Village. The Village pays a \$1 monthly fee per customer and the cost of postage for sending the bills. Consumers can make payments at the local Kroger, mail their payments to a Village post office box, or make payments at the Burr Oak Water office. The Burr Oak Water Clerk collects all the payments, posts the payments, prepares the deposit slip, and makes the deposit. The Burr Oak Water Clerk sends a monthly report to the Village including stamped receipts for bills paid at the local Kroger, the payments received by mail, and the payments collected at the office. The Village does not receive a copy of the receipts issued for cash payments received at the Burr Oak Water Office. The Village Fiscal Officer posts the water receipts to the manual cash journal once a month.

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Receipt Transactions

(continued)

Auditor of State Comments

- Receipts or pay-in-order forms should be a multi-part form that is pre-numbered and issued consecutively. Each receipt should identify the name of the entity and reflect the date received, the payer, the amount, the purpose or nature of the receipt, the account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payer. The Village needs to setup and maintain a receipts ledger.
- Beginning in 2015, direct deposits from the State will no longer have stubs mailed to the subdivisions. The Village will need to develop a process to identify the source of the deposits in order to properly receipt the revenue.
- The Burr Oak Water Clerk needs to utilize a receipt book for cash payments that is a multi-part form that is pre-numbered and issued consecutively, and provide a copy of all receipts to the Village each month, including cash payments received. Kroger will no longer accept payments for water bills as of February 2015. The Village has plans to discontinue the services of the Burr Oak Water District for the processing of bills. The Village must then establish a policy that sets forth the billing cycles, preparation and mailing of customer bills. In addition, the policy needs to set forth the ways and the methods in which customers may make payments, as well as the use of multi-part, pre-numbered receipts to be utilized for posting all receipts. A review of all Water collections needs to be made by the Village Mayor or Fiscal Officer and needs to be documented.

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Purchasing Process

Description of an Effective Method for Purchasing

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

Statutory Requirements

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

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

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

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

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

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Report on Accounting Methods

Purchasing Process

(continued)

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

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

Bidding - All contracts calling for disbursements in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Revised Code Section 731.14 requires that bids be opened and publicly read by the Fiscal Officer at the time, date, and place specified in the advertisement for bids. Village Council must authorize and direct all such disbursements. Exceptions to the bidding requirements include contracts for:

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

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

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

Village of Trimble - Athens County

Report on Accounting Methods

Purchasing Process

(continued)

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

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

Administrative Code Requirements

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

Methods Used by the Village

The Mayor and the Fiscal Officer may make purchases for the Village. The Mayor verbally approves the purchases. The Village does not use purchase orders. The Fiscal Officer pays invoices as received and/or makes reimbursement for receipts submitted. The Village does not require new vendors to submit information on the IRS Form W-9 before a disbursement is made.

Auditor of State Comments

- There is no preapproval process in place to initiate a purchase. All purchases should be approved by the Mayor, either by obtaining a quote or submitting a requisition, and certified by the Fiscal Officer, by use of a purchase order, prior to the order for goods or services being placed.
- The Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services.

Village of Trimble - Athens County

Report on Accounting Methods

Purchasing Process

(continued)

- The Fiscal Officer does not utilize a Then and Now Certificate when purchases are made without prior approval and certification. Purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed and at the current time (time of payment), a sufficient sum was appropriated and is in the treasury or in the process of collection. Then and Now Certificates for amounts in excess of \$3,000 must be approved by council resolution within thirty days.
- Once the Village implements the usage of purchase orders, the Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.

Village of Trimble - Athens County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

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

Statutory Requirements

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

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

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

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

Administrative Code Requirements

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

Village of Trimble - Athens County

Report on Accounting Methods

Cash Disbursements

(continued)

Methods Used by the Village

The Fiscal Officer receives all mail and reviews all invoices received.

Invoices are paid on an as needed basis after they are reviewed and approved by Village Council at the Council meetings. The Fiscal Officer writes the checks and prepares a summary of the payment. Two signatures (Mayor and Fiscal Officer) are required on all checks. The Fiscal Officer mails the checks once they are signed.

All checks are kept at the Fiscal Officer's home, with the Fiscal Officer being the only one having access to them. The summary sheets, along with a copy of the invoice attached are maintained in a numerical sequence in a monthly folder. The Village does not use purchase orders.

Auditor of State Comments

- The Village does not properly authorize purchases, certify availability of funds prior to making purchases, or use purchase orders as required by Revised Code Section 5705.41 and Ohio Administrative Code 117-2-02. The Village must establish a process by which purchases are properly authorized, received, and verified before invoices are paid.

Village of Trimble - Athens County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

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

Statutory Requirements

The following State statutes apply:

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

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

Methods Used by the Village

Village Council approves the hiring of new employees. The Village has ordinances that set forth the salaries of the Mayor, Council, Administrator, Solicitor, and Fiscal Officer. The Village Employee's hourly rate is established when his employee contract is approved by Village ordinance. The Village Employee prepares a timesheet that is approved by the Mayor and the employee is paid weekly.

When an employee is hired or new official takes office, an IRS Form W-4 and Ohio Public Employee Retirement System (OPERS) forms (if applicable) are completed. Payroll records are maintained permanently.

Village of Trimble - Athens County

Report on Accounting Methods

Payroll Processing

(continued)

Based on a discussion with the Fiscal Officer, the pay rates set forth in Village ordinances, for the Village employees and officials are as follows:

- The Fiscal Officer is paid \$700 per month.
- Council is paid \$10 per month if a meeting was held. No additional payments are made for more than one meeting per month.
- The Mayor is paid \$225 per month.
- The Administrator is paid \$250 per month.
- The Solicitor is paid \$700 per month.
- The Village Employee is paid \$1,837 per month.

The Fiscal Officer manually completes payroll checks and all related payroll reports. The Solicitor, Fiscal Officer, and Village Employee have OPERS withheld.

Council approves all paychecks at the monthly meetings as part of the general approval of all bills paid. All employees are paid by check. Two signatures are required on each check, the Mayor's and the Fiscal Officer's. The checks are hand delivered or mailed.

All payroll taxes are calculated manually by the Fiscal Officer. Payroll withholdings for federal and state income taxes, FICA, and Medicare are paid quarterly. OPERS is paid monthly. The Fiscal Officer prepares W-2's and pays BWC yearly.

Auditor of State Comments

- The Village does not have written procedures regarding the payroll process. The Fiscal Officer should develop procedures that document the Village's payroll procedures.

Village of Trimble - Athens County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

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

Statutory Requirements

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

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 and amount equal to five and one-half per cent of that tax valuation.

Methods Used by the Village

The Village records debt payments manually but not by line item in the paper ledgers.

The Village's debt is described below:

<u>Debt Issues</u>	<u>Interest Rate</u>	<u>Issued Date</u>	<u>Issued Date</u>	<u>Balance at 12/31/2014</u>
<u>Loans Payable</u>				
Operating Loan	3.89%	7/1/2013	\$15,009	\$8,143
Ohio Water Development Authority Loan	3.65%	3/28/2013	\$170,123	\$163,105

The operating loan was obtained to provide financing for the payment of payroll taxes in arrears and the associated penalties and interest. It is backed by the full faith and credit of the Village and is paid from the General Fund. The loan matures on July 15, 2016. The OWDA Loan is for a water line replacement project and will mature in 5 years after project completion. The project is currently in the beginning stages and as of January 23, 2015, the Village is not required to provide any payments toward this loan. Water receipts are pledged to pay the debt. The Village has set utility rates sufficient to cover the debt service requirements.

Auditor of State Comments

None

Village of Trimble - Athens County

Report on Accounting Methods

Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets

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

Administrative Code Requirements

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

Methods Used by the Village

The Village does not have an inventory of capital assets. A listing of building, vehicles, equipment, and furniture are listed on the Village's property insurance schedules, however, the listing has not been prepared pursuant to a Village capital asset policy. Property cards for the land owned by the Village can be obtained on the Athens County Auditor's office website.

Auditor of State Comments

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

Village of Trimble - Athens County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

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

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

Statutory Requirements

Interim cash should be invested according to section 135.14 of the Ohio Revised Code. The deposit 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 village are additionally governed by Sections 135.01 to 135.22 of the Ohio Revised Code.

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

Section 135.14(O)(2) of the Ohio Revised Code states, "if a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the treasurer or governing board of that subdivision shall invest the subdivision's interim monies only in interim deposits pursuant to division (B)(3) of this section or interim deposits pursuant to Section 135.145 of the Ohio Revised Code and approved by the Treasurer of State, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio subdivision's fund pursuant to division (B)(6) of this section."

Section 135.14(O)(3) of the Ohio 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".

Village of Trimble - Athens County

Report on Accounting Methods

Cash Management and Investing

(continued)

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

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

In addition to the training required by Section 135.22 regarding investing, Section 733.27 and 733.81 of the Ohio Revised Code requires that the Clerk-Treasurer attend annual training programs of continuing education for fiscal officers provided by the Auditor of State or the Ohio Municipal League. This training encompasses a wide variety of topics.

Federal Requirements

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

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

Methods Used by the Village

The Village has one main checking account, which earns interest, and a Mayor's Court account. The Village does not have any investments. The Community Bank serves as the Village's main depository and receives all wire transfers and deposits except for Mayor's Court. All checks are written against this account except for Mayor's Court. Accounts are reconciled and approved by Council monthly.

Since the Village does not have any investments, an investment policy is not required to be filed with the Auditor of State's office.

Interest earned is allocated to the funds as required by the Ohio Constitution and State statute.

Since the Village has no investments, the Fiscal Officer is not subject to investment training but did not file an exemption form as certified by the Treasurer of State.

The Fiscal Officer has not attended training per Section 733.27 or 733.81 of the Ohio Revised Code that requires that the Fiscal Officer attend annual training programs of continuing education.

The Village's deposits are fully covered by FDIC due to their balances.

Village of Trimble - Athens County

Report on Accounting Methods

Cash Management and Investing

(continued)

Auditor of State Comments

- Since the Village has no investments, the Fiscal Officer is not subject to investment training but needs to file an exemption form to be certified by the Treasurer of State.
- The Fiscal Officer needs to attend continuing education trainings per Ohio Revised Code Section 135.22 and 733.81.

Village of Trimble - Athens County

Report on Accounting Methods

Financial Reporting

Description of an Effective Method of Financial Reporting

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

Statutory Requirements

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

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

Administrative Code Requirements

Ohio Administrative Code Section 117-2-03(A)(2) requires that local public offices file their annual financial report either in paper form or electronically in a manner and format prescribed by the Auditor of State. For local public offices that use the "Uniform Accounting Network", the Ohio Administrative Code Section 117-2-03(C) allows those offices to file their annual financial reports in accordance with the guidelines established by the "Uniform Accounting Network." Ohio Administrative Code Section 117-2-03(D) requires the reports to be filed on the forms provided by the Auditor of State.

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

Village of Trimble - Athens County

Report on Accounting Methods

Financial Reporting

(continued)

Methods Used by the Village

At the Council meetings, the Fiscal Officer provides a list of bills and a Treasurer's report monthly; however, the report only shows total receipts and disbursements by fund and the ending fund balances. There is no breakout of disbursements by classification or classification of receipts.

The annual financial report for the year ended December 31, 2014, was filed with the Auditor of State on a timely basis; and a notice was published in the local newspaper.

Auditor of State Comments

- Village Council has not defined, by ordinance, the type or frequency of financial information they expect to receive. The Fiscal Officer should provide Village Council a monthly statement that reflects the beginning and ending cash balances and the month to date and the year to date receipts and disbursements for each fund. The Fiscal Officer should provide receipts and appropriation reports to Village Council on a monthly basis. These reports should provide a comparison of estimated receipts to actual receipts and the percent collected to date as well as the appropriations and disbursements and the percent spent to date. The reports should demonstrate compliance with the adopted budget.
- The Village annually prepares its financial statements using the cash basis of accounting and has chosen not to present financial statements that "look like" financial statements prepared in accordance with generally accepted accounting principles. While this regulatory presentation is acceptable, the Village has failed to implement fund balance classifications as outlined in Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". The Village must classify fund balance as nonspendable, restricted, committed, assigned, or unassigned as outlined in GASB Statement No. 54.

Village of Trimble - Athens County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The Village Council's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale supporting Village Council's decisions. An ordinance, resolution, or bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or bylaw, the yeas and nays should be entered into the minutes and the ordinance, resolution, or bylaw should be signed by the presiding officer and the Clerk of Council. All Village Council minutes, ordinances, and resolutions should be maintained as a permanent record of the Village.

Statutory Requirements

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

Sections 731.20 through 731.25 of the Revised Code address the passage, style, number of subjects, authentication and recording, and publication requirements of Village Council legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Clerk of Council and kept open for public inspection for ten days. Each ordinance, resolution, or bylaw is required to be adopted or passed by separate vote of Village Council and the yeas and nays shall be entered in the minutes. Ordinances, resolutions, and bylaws shall be authenticated by the signature of the presiding officer and clerk. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks. If no newspaper is published within the Village, copies of the ordinances and resolutions must be posted in no less than the five most public places in the Village for not less than fifteen days prior to the effective date of the ordinances or resolutions or by publication in any newspaper printed in the State and of general circulation in the Village.

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

Village of Trimble - Athens County

Report on Accounting Methods

Recording Official Proceedings

(continued)

Methods Used by the Village

The Fiscal Officer takes notes during the Village Council meetings, which are held once a month, on the second Monday of the month. From the notes, the Fiscal Officer prepares the minutes of the meeting. The minutes contain all required information including who is in attendance, approval of prior meeting minutes, Fiscal Officer's report, a summary of topics discussed, and other upcoming events or concerns. The typed minutes are printed and filed in yearly folders arranged by month. The Village posts for inspection the required ordinances and resolutions in 5 public places.

Auditor of State Comments

- The Village must establish a records commission. The Village's records commission is required to meet every six months as required by Section 149.39 of the Revised Code.
- The Village must develop and approve a policy for the retention and disposal of records as required by section 149.39 of the Revised Code.

Village of Trimble - Athens County

Report on Accounting Methods

Conclusion

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

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

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Dave Yost • Auditor of State

VILLAGE OF TRIMBLE

ATHENS 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
MAY 26, 2015**