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Auditor of State

City of Galion
Crawford County, Ohio
Report on Accounting Methods

Local Government Services

City of Galion - Crawford County

Report on Accounting Methods

Table of Contents

Table of Contents 1

Certification 2

Purpose..... 3

Governance Overview 4

Analysis of the City’s Methods:

 Budgetary System..... 7

 Chart of Fund and Account Codes 10

 Accounting Journals and Ledgers 11

 Receipt Transactions 13

 Purchasing Process 25

 Cash Disbursements 29

 Payroll Processing 31

 Debt Administration 35

 Capital Assets and Supplies Inventory 37

 Cash Management and Investing..... 39

 Financial Reporting 44

 Recording Official Proceedings 46

Conclusion 47



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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 Galion 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 Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the City of Galion; Richard Swain, President of Council of the City of Galion; and Dave Oles, City Manager of the City of Galion.

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March 31, 2009

City of Galion - Crawford 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 compiled with...".

Accordingly, this report centers upon the following: (1) whether the current accounting system fulfills the needs of the City, 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 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 Galion. 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.

City of Galion - Crawford County

Report on Accounting Methods

Governance Overview

The City of Galion (the City) is located in north central Ohio in Crawford County. The City is a home rule municipal corporation established under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a council-manager form of government, was adopted on November 5, 1985, and has subsequently been amended. Legislative authority is vested in a seven-member Council. Council members are elected for four year terms. The City Manager is the chief executive and administrative officer who is appointed by Council. In addition to policies outlined in the City Charter, the City must comply with all State laws governing city government for which there are no provisions within the Charter.

The Council is the legislative authority of the City and consists of four elected members who serve specific wards and three members elected at-large. The President of Council is appointed by the Council. Council appoints a Clerk of Council who attends all Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. The Council has the authority to prescribe, by ordinance, the manner in which any power of the City shall be exercised.

The City Manager is the chief executive and administrative officer of the City responsible to Council for the proper administration of the affairs of the City. Under the provisions of the City's Charter, the responsibilities of the City Manager include the following:

1. Appoint and remove all officers and employees, except as otherwise provided in the Charter;
2. Prepare and submit to the Council annual appropriations and budget estimates, and lawfully administer the budget adopted by the Council;
3. Prepare and submit to the Council and to the public an annual report including, but not limited to, the financial and administrative affairs and activities of the City for the preceding year and a plan for goals and accomplishments for the coming year;
4. Continually advise Council on the financial condition and future needs of the City and make such recommendations as may seem desirable;
5. Perform such other duties as may be prescribed by the Charter or required of the City Manager by the Council that are consistent with the laws of Ohio;
6. Attend all meetings of Council with the right to participate in discussion and bring matters to the attention of Council, but without the right to vote;
7. Execute on behalf of the City all contracts, conveyances, evidence of indebtedness, and all other instruments to which the City is party;
8. Appoint, with approval of Council, such citizen advisory committees, commissions, and boards as seem to the City Manager desirable and discharge them when in the City Manager's judgment their function has been completely served;
9. Serve ex-officio (without vote) on all boards and commissions which are authorized under the Charter or subsequently created by Council, except the Civil Service Commission;
10. Recommend any legislation for adoption by Council or recommend the repeal of obsolete legislation;
11. Make such other reports as the Council may require concerning the operation of City departments, offices, and agencies subject to the City Manager's direction and supervision;
12. Delegate to subordinate officers and employees of the City any duties conferred upon the City Manager by the Charter or by action of Council and hold them responsible for the faithful discharge of such duties;
13. Supervise purchasing for all departments of the City; and

City of Galion - Crawford County

Report on Accounting Methods

Governance Overview

(continued)

14. Be a liaison and be responsible for the public relations between the City and other political units (i.e. other cities, County Commissioners, etc.) and other organizations interested in the welfare and growth of the City.

The following departments are established by the City's Charter:

1. Department of Finance
2. Department of Public Works (water, sewer, electric, streets/parks/public properties)
3. Department of Police Protection
4. Department of Fire Protection

The Finance Director, appointed by the City Manager and confirmed by Council, serves as the chief fiscal officer of the City and performs the powers, duties, and functions given to city auditors and treasurers under the general laws of Ohio to the extent those laws are not in conflict with the City's Charter. The Finance Director is required to administer the fiscal affairs of the City, including the supervision and maintenance of records and accounting procedures which conform to the general laws of Ohio; compile the estimates for the budget of all departments of the City; exercise financial budgetary controls over appropriations made; keep custody of funds, investments, and other property of the City; collect utility and other fees, assessments, and tax revenues; pay the public debt; and perform other duties as may be required by the Charter and/or as the City Manager may impose consistent with the Finance Director's office. The Finance Director shall make reports, in the form and at such intervals as may be requested by the City Manager, showing the financial standing of the City or of any department or agency thereof. The Finance Director shall submit annually an investment policy for Council approval.

The Board of Control consists of the City Manager, the Finance Director, and any applicable department head. Their responsibility consists of reviewing bid documents, evaluating recommendations for awarding bid contracts (generally made by the City Engineer), and determining the bidder to be awarded a contract for any public improvement.

On August 9, 2004, the City was declared to be in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code section 118.05. Commission membership is as follows:

1. The Director of the Office of Budget and Management or a designee;
2. The Mayor of the City or a designee (by Charter, the City does not have a mayor; therefore, the City Manager serves in this role);
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 who are residents of the City.

City of Galion - Crawford County

Report on Accounting Methods

Governance Overview

(continued)

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

1. Review all tax budgets, tax levy ordinances, bond and note ordinances or resolutions, 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 rules established by the Auditor of State;
8. Make and enter into all contracts necessary or incidental to the performance of its duties;
9. Make recommendations for cost reductions or revenue increases to achieve a balanced budget; and,
10. Annually, before April 1, make a report and recommendations to the Speaker of the House of Representatives and President of the Senate on the progress of the City.

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

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

City of Galion - Crawford County

Report on Accounting Methods

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

Statutory Requirements

The budgetary process for the City 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 Crawford County Budget Commission has waived the requirements of the formal tax budget. The County Budget Commission requires estimated receipts and disbursements information (Statement of Fund Activities) for the General Fund, the Bond Retirement Fund, and any other funds requesting general property tax receipts to be submitted to the County Auditor, as Secretary of the County Budget Commission, by a date determined annually, for the succeeding year.

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

On or about January 1, the Finance Director 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 Finance Director determines that the revenue to be collected by the City will be greater than or less than the amount included in the amended official certificate of estimated resources.

Appropriations Ordinance - Section 5705.38 of the Revised Code requires that on or about January 1, the 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 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 City Council must be approved by City Council. The City 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.

City of Galion - Crawford County

Report on Accounting Methods

Budgetary System

(continued)

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

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

Annual Tax Ordinance - Section 705.17 of the Revised Code requires that an annual tax ordinance to determine the amount of the tax levy be prepared by the Mayor, under the direction of Council. The section also requires the involvement of each office and department of the City, comparative financial information for the previous years and the next year for each office, department, and division, a public hearing after at least one weeks notice, approval of Council, and submission to the County Budget Commission which shall fix the total maximum tax levy permitted to the City for the ensuing year.

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

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

Administrative Code Requirements

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

The legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative authority 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. 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.

City of Galion - Crawford County

Report on Accounting Methods

Budgetary System

(continued)

Charter Requirements

Section 3.04(B) of the City Charter requires the City Manager to prepare and submit to Council, annual appropriations and budget estimates, and lawfully administer the budget adopted by Council.

Methods Used by the City

The Crawford County Budget Commission has waived the requirement for the City to adopt a tax budget. In lieu of the tax budget, the Budget Commission requires the submission of the Statement of Fund Activities for all funds receiving tax proceeds during the upcoming year. The Statement of Fund Activities requires the anticipated receipts, anticipated disbursements, and the beginning of year and end of year fund balance be provided for each fund. The anticipated receipts information should include the anticipated tax receipts, local government receipts (where applicable), and other receipts. The anticipated tax receipts and anticipated local government receipts are provided by the County Auditor. The anticipated disbursement information may be provided in total for the fund, with the exception of principal and interest disbursements (where applicable). The deadline for submission of the Statement of Fund Activities to the Budget Commission varies slightly from year to year, due in part to the timing of information received by the County Auditor from the Department of Taxation.

From the Statement of Fund Activities, the Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the City. The Budget Commission then prepares and submits to the City the Resolution Accepting Rates for City Council's consideration. Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1.

The City begins preparing the budget for the upcoming year in August or September. This process begins with a meeting with the City Manager and the various department heads who review the current year budget and identify where increases or decreases in the budget line items are anticipated for the upcoming year. In addition, other known factors such as projections on fuel costs, utilities, chemicals, insurance, and other like items are considered. The department heads also outline the various projects for the upcoming year as well as the timing and anticipated costs for those projects. This information is compiled by the Finance Director and/or Deputy Finance Director. Together with other information, such as salary and benefit information, a budget spreadsheet is prepared for each department. These spreadsheets are reviewed with the City Manager, the department heads, and the Chairman of the Finance Committee of Council. From the completed budget spreadsheets, the Finance Director and/or Deputy Finance Director prepares the annual appropriation ordinance, along with departmental budget detail spreadsheets, to be presented to Council for review and comment.

Once adopted by Council, the certified appropriation ordinance is submitted to the Budget Commission who verifies that appropriations, by fund, do not exceed estimated resources and returns a certificate indicating that total appropriations from each fund do not exceed the estimated resources. The Deputy Finance Director also records the appropriations for the upcoming year to the accounting system.

City of Galion - Crawford County

Report on Accounting Methods

Chart of Fund and Account Codes

Description of Effective Chart of Fund and Account Codes

Common terminology and classification should be used throughout the budgeting, accounting, and financial reporting activities. The consistent use of fund 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 City 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 City

The City, by ordinance, establishes funds as outlined in the Revised Code. The Deputy Finance Director assigns each fund a fund number that reflects its fund type classification and uses account codes that classify and summarize receipt and disbursement transactions according to management needs and annual reporting requirements. All account codes consist of twelve digits. For receipt codes, the first three digits represent the fund, the next four digits represent the receipt source (for example taxes, charges for services, intergovernmental revenues), and the last four digits identify the specific receipt type (for example property taxes, income taxes). For disbursement codes, the first three digits represent the fund, the next two digits represent the program (for example security of persons and property, leisure time activities), the next two digits represent the department (for example police, fire), the next two digits represent the object (for example salaries, fringe benefits, contractual services), and the final two digits identify the specific disbursement type (for example, PERS, workers compensation).

Auditor of State Comments

- The City's chart of accounts identifies a specific formula for the creation of an account code for both receipt and disbursement accounts. However, some of the City's current accounts, for both receipts and disbursements, are not consistent with this formula. For example, the numbers used to identify the receipt source and the disbursement program does not always follow the numbering logic of the formula. The City should continue to evaluate and modify its account codes to provide consistency throughout the account coding system.

City of Galion - Crawford County

Report on Accounting Methods

Accounting Journals and Ledgers

Description of Effective Accounting Journals and Ledgers

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

Administrative Code Requirements

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

Section 117-2-02(C)(1) of the Ohio Administrative Code requires all local public offices integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized 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 Finance Department. The cash journal presents receipts deposited to and checks drawn against the City's 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 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 maintained. At the end of each month, month to date totals and year to date totals are to be recorded.

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 City, the check issued for the payment of the obligation, and accommodate any adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the City to keep its disbursements and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for disbursement. At the end of each month, month to date totals and year to date totals are to be recorded.

City of Galion - Crawford County

Report on Accounting Methods

Accounting Ledgers

(continued)

Methods Used by the City

The City uses fund accounting software from Software Solutions Incorporated. The software incorporates estimated receipts and appropriations by fund and account. The software allows for the accumulation and aggregation of budget and actual information. Detailed receipt, disbursement, and encumbrance information is accumulated by fund, receipt source, and expenditure program, department, and object code. The software provides month to date and year to date information and detailed and summary information for receipts and disbursements.

The reconciliation process is completed within a day or two after month end. Monthly reports are printed either that day or the next business day along with performing the month end closing procedures. The City has a written procedures checklist to follow for closing a month. Monthly reports are printed and filed in the Finance Department.

Each administrative clerk prepares a daily backup. All backups are stored in a locked fireproof safe deposit box in the Finance Department's vault.

Auditor of State Comments

- The City does not maintain off site storage of backup tapes and disks. The City should consider taking backup tapes and disks off site.
- The City does not have a disaster recovery plan. The City should develop and implement a disaster recovery plan.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded, and deposited in accordance with State statute. The receipt or pay-in-order form should be a multi-part form that is pre-numbered and issues 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.

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.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Methods Used by the City

Finance Department

The City receives monies in person, in the mail, through the City's drop off box located at the Finance Department, and via wire transfer. In general, the Finance Department collects receipts for all services invoiced by the City and makes all deposits.

All receipts are taken by the two Utility Clerks. If one of them is not available, the Finance Department Clerk will take receipts. Every cash payment collected, whether in person, in the mail, or through the drop box is run through the cash register. Every individual who makes a payment in person will receive a cash register receipt. If cash is received through the mail or through the drop box, a cash register receipt will be mailed to the individual. For checks received through the mail or through the drop box, the individuals cancelled check will serve as their receipt. In addition, if an individual is paying for an invoiced service, the Utility Clerk prepares a three-part receipt. The original copy is given to the customer, along with their cash register receipt, and the remaining two copies are stapled to the original invoice and filed in a file folder. In addition, every receipt will be recorded on an excel spreadsheet by the Utility Clerk. Spreadsheets are subtotaled by day and by month. Daily totals will match the receipts entered into the accounting software for the day and monthly totals will match the monthly receipt reports generated by the system.

Receipts from all other departments are received in person or through the drop box. These receipts are not run through the cash register. From each department, the Finance Department receives a deposit slip for their deposit, along with the cash and/or checks. For some departments, there is additional supporting documentation attached. Some departments retain the supporting documentation in their respective department. These receipts are also entered into the excel spreadsheet prepared by the Utility Clerk.

For amounts received through electronic fund transfers, the Deputy Finance Director reviews the City's National City General Account on-line daily for EFT receipts. The Deputy Finance Director prepares a spreadsheet listing the deposit date, revenue description, revenue account number, and amount. This spreadsheet is forwarded to the Utility Clerk to record the receipts.

Receipts are entered into the accounting software by the Utility Clerk daily (one clerk is assigned this function). The Utility Clerk determines the revenue code for each receipt or, if unsure of the appropriate code, consults the Deputy Finance Director. Receipts are entered into the accounting software by batch. Receipts are identified by their associated batch number, each receipt does not have a unique receipt number. Batch numbers are automatically assigned by the accounting software.

After all receipts are entered into the system, the Utility Clerk runs a Central Cash Report by Batch by Type. The total of this report is matched to the receipt spreadsheet. When the report and spreadsheet match, the Utility Clerk runs a Transfer Miscellaneous Receipts and Central Cash to Revenue Journal. The Utility Clerk retains one copy of this report and forwards a copy to the Finance Department Clerk.

Upon receipt of the Transfer Miscellaneous Receipts Report, the Finance Department Clerk runs an Open Journal Entry by Batch Report. These two reports are compared. If the two reports do not match, the discrepancies are determined and corrections are made. When the two reports match, an Open Post Journal Entry by Batch Report is generated which posts the transactions. Receipts are generally posted to the financial accounting system daily.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

The Utility Clerk generally makes a deposit to the bank daily or within the next business day. Deposits not made before the end of the business day are stored in a locked safe. The deposit consists of all of the deposit slips received from the various departments plus the deposit slip the Utility Clerk prepares for any receipts taken by the Finance Department. The total of the daily deposits will match the daily balances of the receipt spreadsheets the Utility Clerk maintains as well as to the Transfer Miscellaneous Receipts and Central Cash to Revenue Journal. If the Utility Clerk is off of work for some reason, a daily deposit is prepared by the second Utility Clerk and either the Finance Director or Deputy Finance Director will take the deposit to the bank. The second Utility Clerk will enter the receipts into the accounting software and receipt spreadsheets.

Utility Department

The Utility Office collects receipts for water, sewer, electric, and storm water usage. Each new customer is required to provide relevant information when requesting utility service, which the Utility Clerk enters directly into the computer system.

A utility deposit is required prior to service being activated unless the customer has a prior record of receiving utility service from the City or other utility company and that record demonstrates that timely payments were made. The deposit is equally distributed among the utility services requested (water, and/or sewer, and/or electric). The utility deposit may be refunded after one year of service with good pay history, if requested by the customer. Otherwise, the utility deposit may be applied against their final utility bill, with any balance being refunded at the time service is discontinued. If a customer deposit has been refunded, and the customer has a delinquent utility bill and moves from the City, the City has no method of collecting on this delinquent account. Delinquent accounts are not certified to the County Auditor.

The City has approximately 12,000 metered utility customers and thirty-four meter routes. Each month, all of the meters are read for billing. Hand-held meter reading units are loaded with the account information for the routes to be read on a given day. Once the meter reading is completed, the current reading information is downloaded to the utility software. A High/Low Usage Report and High Demand Meter Report are run and reviewed to determine if there are any reading errors due to malfunction of the meter or if there was a significant fluctuation in usage for any account. Accounts with errors or unreasonable consumption fluctuations are reread. When the information appears accurate for these routes, information for another set of routes is loaded into the meters. The meter reading process generally takes approximately three weeks to complete. Once all accounts have been read, the Utility Department can proceed with the bill generating process.

The City outsources its bill printing and mailing process to SmartBill. A file is sent to SmartBill in adobe format from which they print and then mail the bills.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Utility bills are sent out by the 4th day of each month and are due two weeks later. Payments may be made at the Utility Department, through the mail, placed in the drop box at the Finance Department, or paid at one of three local banks which accept payments on the City's behalf. All utility payments made in person at the Utility Department are recorded on a cash register. Each Utility Clerk has their own cash register. For all payments received in person, the customer receives their billing stub as well as a cash register receipt for payments made. For payments received in the mail or through the drop box, only those payments made with cash are recorded in the cash register. The cash register receipt is stapled to the billing stub. For payments other than cash (i.e., checks, money orders), an adding machine tape is prepared to sum the total of these receipts. For payments made at one of the banks, the Utility Clerk collects the billing stubs from each bank at the end of every day.

At the end of the day or first thing the following morning, each utility clerk reconciles their cash register by matching cash and checks received to the register tape. Not until the cash registers have been reconciled do the utility payments get posted to the customer accounts. The City does not impose any late payment penalties.

Once all payments have been entered into the system, a daily batch report is run and compared to the billing stubs and cash register tapes. Any differences are corrected and an updated batch report is run. This report is also reviewed and if there are no further corrections, the transactions are posted.

The Utility Clerk prepares an excel spreadsheet daily which lists the receipts collected for the previous day by type and amount (for example, utility payment, bulk water sale, water lab test, utility deposit). In addition to a grand total, the spreadsheet is subtotaled by receipt type and these amounts will match the cash register tape, billing stubs, invoices, etc. From this spreadsheet, the daily deposit is prepared and taken to the bank. A copy of the daily deposit slip and all supporting documentation (including the billing stubs, cash register tapes, invoices, etc.) is put in an envelope that is dated and filed by date.

The Utility Clerk also prepares an excel spreadsheet for those utility customer accounts that are paid at the three local banks, segregated by bank. The spreadsheet is updated daily for the utility stubs collected from the bank daily and totaled at the end of the month. The Utility Department receives a check at the end of the month from each bank. The amount of each check is compared to the spreadsheet to verify that the bank has paid the City for all of its collections. Discrepancies with the bank must be researched and resolved with the bank. This is a recurring problem with one of the banks.

At the end of each month, the Utility Clerk performs a month end reset which clears all current utility readings for the month and moves the current balances to history or to past due. A Month End Reset Journal Report is printed and filed by month.

For utility accounts that are over thirty days past due, the customer receives a delinquent notice on the next billing statement. If payment is still not received, a delinquent final notice letter is sent. If delinquent amount remains unpaid, a last attempt at collection is made by placing a door hanger at that delinquent location. Currently, the City only stops service for those accounts that have an outstanding balance in excess of \$1,000 or long-term outstanding balances. This is due in part to limited staff. The City currently has over 900 accounts that are past due.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Income Tax Department

The City levies an income tax of 2 percent on all salaries, wages, commissions, and other compensation earned within the City as well on the incomes of residents earned outside the City. In the latter case, the City allows a credit of up to 50 percent of the tax due to the City for those taxes an individual pays to another municipality. The City has a mandatory income tax filing requirement for all residents and businesses. Businesses are generally required to pay on a monthly or quarterly basis. Individuals paying estimated taxes are required to pay on a quarterly basis and file a return annually, all others file and pay annually.

The City's income tax is recorded as follows: 1 percent to the General Fund for general operations, .89 percent (voted) for police and fire operations, and .11 percent (voted) for recreation purposes.

The City has a contract with the Regional Income Tax Authority (RITA) for income tax collections and processing. All income tax payments are to be sent directly to RITA. (If a citizen brings a check to the Finance Department for their income tax payment, the City will not refuse it, but will put it in the mail to RITA for the citizen).

The City receives a payment from RITA twice a month by electronic fund transfer into the City's National City General Account. The Deputy Finance Director reviews this bank account on-line daily for EFT receipts. The Deputy Finance Director prepares a spreadsheet listing the deposit date, revenue description, revenue account number, and amount. This information is forwarded to the Utility Clerk to record the receipt.

RITA also, twice a month, provides the City with an income tax distribution report detailing the amounts collected and the source of the collections (i.e., individual, business, withholding). One copy of this report is retained by the Income Tax Clerk and one copy is retained by the Deputy Finance Director.

The Income Tax Clerk has read only access to RITA's billing and collection system which enables the clerk to review taxpayer accounts, if necessary. The Income Tax Clerk has not had a reason to do so to this point. Issues and questions are directed to and handled by RITA.

Police Department

The Police Department collects receipts for copies, parking violations, background checks, finger printing, immobilization fees, false alarm payments, witness fees, and various other payments. Payments may be received in person or in the mail.

The Police Department prepares a pre-numbered receipt for all receipts collected, with the exception of parking violations. Information included on the receipt is the date, department name, payer name, reason for payment, amount received, and the signature of the individual taking payment. The customer receives the original receipt and the duplicate is retained in the receipt book. Amounts collected are kept in the Administrative Clerk's locked safe until a deposit is prepared. Deposits are generally made once a week.

Parking violations are entered into the computer system by the issuing police officer or a dispatcher. If a dispatcher enters the parking violation, the issuing police officer verifies the data entered. When a payment on a parking violation is received, it is entered into the computer system and a computer generated receipt is printed. One copy of the receipt is given to the customer for those paying in person and a second copy is stapled to the parking violation and filed by date. For those paying by mail, their check serves as the receipt.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Approximately once a week, the Administrative Assistant prepares the bank deposit. A memo is also prepared for the Utility Clerk listing the purpose of the receipt, receipt code, and amount. The bank deposit, along with two copies of the memo, is taken to the Utility Clerk in the Finance Department for deposit. The Utility Clerk verifies the total on the deposit slip matches the total on the memo. The Utility Clerk returns an initialed copy of the memo and a copy of the deposit slip to the Administrative Assistant. The Administrative Assistant keeps copies of the deposits and any supporting documentation in a file by month.

Residents and businesses are allowed three false alarm visits a year without charge. Alarm calls are printed from the computer system and retained in a folder. After three visits, there is to be a charge. The Administrative Assistant is supposed to invoice residents and businesses who have exceeded three visits. However, due to staffing limitations, this process has not been followed since 2004.

Every one to three months, the Administrative Assistant will generate a list of outstanding parking violations and mail the violator a letter indicating their violation is still unpaid. If failure to pay continues, a second notice marked "warrant" is sent to the violator. If the violation still remains unpaid, the officer who issued the violation attempts to collect the payment. If this attempt is unsuccessful, a traffic citation is then issued requiring a court appearance.

Fire Department

The Fire Department provides EMS services to the City's residents. The City uses a third-party billing and collection service, Medaccount, to bill for EMS runs.

Approximately once a week, a fire department employee (no one designated) will provide a copy of all EMS runs to the Administrative Assistant in the Police Department who sends it to Medaccount. A copy of this list is also kept by the Fire Chief.

Medaccount bills for all EMS services and receives all payments from customers/insurance companies. Once a month, Medaccount sends the Fire Department a report detailing charges and payments, along with a check for collections. The Fire Chief forwards the check to the Finance Department to deposit in the bank and to record the receipt. The report is retained by the Fire Chief and no copies of the report are provided to the Finance Department.

The Fire Department makes no attempt to verify that all charges are being billed by Medaccount or that the City is receiving all of its collections.

Medaccount attempts to collect on past due accounts three times. If collection is not received after three attempts, Medaccount makes no further attempt to collect the delinquent accounts. The City has no process in place for further collection efforts on delinquent accounts.

Prior to 2005, the City used another third-party billing service, MBI-Solutions. The City still receives occasional payments from MBI-Solutions. These payments are received through an electronic fund transfer to the National City General Account. The Deputy Finance Director can identify these payments due to the electronic fund transfer. This is the Finance Department's only evidence of this payment as no further information and no report is provided by the Fire Department.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Public Works Department

The Public Works Department collects receipts at the airport (hangar rent and fuel payments) and for recreation (league and tournament fees, concessions, and pop machines).

Airport - The City collects charges for hangar rental at the airport. Rent is due on a monthly basis. Invoices for the ensuing month are sent near the end of the month. Customers have ten days after the first of the month to make payment. At the end of the ten days, customers are called. Payment is generally made immediately; if not, a \$15 late fee is assessed. Billings and collections are recorded in a manual ledger.

The City sells aviation fuel at the airport. The fuel tanks are equipped with credit card readers that accept only personal credit cards (Visa, MasterCard, and American Express) or an "On Base Card" for fuel payments. All fuel purchases must be made by credit card or On Base Card. On Base Cards are issued by the City, are read like credit cards, and the individual is invoiced for the fuel by the City. On Base Cards receive a five cent per gallon discount on fuel purchases. A printer in the airport office records all fuel purchases. A one-time \$20 fee is assessed at the time an "On Base Card" is established.

For purchases made with personal credit cards, the Finance Department Clerk receives a statement from the credit card company (Visa, MasterCard, and American Express) indicating the date and dollar amount of the fuel purchased. Monthly, the amount owed the City is received via electronic fund transfer. Each month, the Finance Department Clerk compares the credit card statements to the bank statement to verify all amounts owed have been received.

For purchases made with an On Base Card, the Finance Department Clerk prepares an invoice for the fuel purchase monthly and attaches a computer printout from the Petro Vend software system detailing the date, quantity of fuel, dollar amount of fuel purchased, and credit card number. Invoices reflect the adjustment for the five cent per gallon discount and are mailed to the customer. Billings and collections are recorded in a manual ledger. For any account past due, the On Base Card is denied at the pump.

When payments are received, the Finance Department Clerk enters the payment in a pre-numbered receipt book. A receipt is generally only prepared for cash payments. Information included on the receipt is the date, department name, payer name, reason for payment, time frame of payment, amount received, and the signature of the individual taking payment. The original receipt is given to the customer and the duplicate copy is retained in the receipt book.

At the end of each day, the Finance Department Clerk prepares a deposit slip for amounts collected during the day and forwards the original and one copy to the Utility Clerk for further processing. One copy of the deposit slip is retained by the Finance Department Clerk. After the Utility Clerk makes the deposit at the bank, one copy of the deposit slip along with the bank deposit receipt is returned to the Finance Department Clerk.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Recreation - The City charges \$100 in advance for the use of a ball field per day at the time the field reservation is made. If more than one field is reserved, \$100 is collected in advance and the remainder can be paid up to the time the teams take the field. In addition, the City charges \$7.50 per team per game for league fees. League fees are generally paid by the league or the sponsor and are due within the first month of the season. If not paid, the league is denied access to the fields.

For fees paid in advance at the Finance Department, a receipt is prepared from a pre-numbered receipt book. Information included on the receipt is the date, department name, payer name, reason for payment, amount received, and the signature of the individual taking payment. The original receipt is given to the customer and the duplicate copy is retained in the receipt book. For payments received in the mail or at the field, the receipt is mailed.

At the end of each day, the Finance Department Clerk prepares a deposit slip for amounts collected during the day and forwards the original and one copy to the Utility Clerk for further processing. One copy of the deposit slip is retained by the Finance Department Clerk. After the Utility Clerk makes the deposit at the bank, one copy of the deposit slip along with the bank deposit receipt is returned to the Finance Department Clerk.

The City operates a concession stand at Peco Park. The concession stand has a \$200 change fund. All sales are recorded on a cash register. An inventory sheet for each day is prepared with the beginning inventory numbers matching the ending inventory numbers from the prior day. At the end of each day, a physical inventory count is taken and entered on the inventory sheet. The difference in the beginning and ending inventory represents items sold and should match the daily cash register tape. The concession stand worker will reconcile the cash receipts to the daily cash register tape. All cash, the cash register tape, and the daily inventory sheet are put in a money bag and given to the Finance Department Clerk when the park closes for the day. The Finance Department Clerk takes the money bag home each evening. The following morning, the Finance Department Clerk prepares a deposit slip for the amounts collected the prior day and forwards the original and one copy to the Utility Clerk for further processing. One copy of the deposit slip is retained by the Finance Department Clerk. After the Utility Clerk makes the deposit at the bank, one copy of the deposit slip along with the bank deposit receipt is returned to the Finance Department Clerk.

The City also maintains two pop machines at Peco Park. The Finance Department Clerk is responsible for refilling the pop machines and emptying the money as needed. Money collected from the machines is placed in an envelope marked "pop machines" to keep it separate from the other recreation receipts. This money is held by the Finance Department Clerk until receipted. Since the machines are only emptied when they need refilled (approximately three times a season) and the amount is generally not significant, the monies may only be receipted at the end of the season.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Water and Sewer Departments

The Water and Sewer Departments provide bulk water sales and water and wastewater lab testing. All payments are to be made at the Utility Department. Should a check be received in the mail at either of the treatment plants, it is forwarded either the same day or the following morning to the Utility Department.

Bulk water sales are handled by two methods. A bulk water ticket can be purchased at the Utility Department which allows the customer to prepay for bulk water. Each time water is picked up at the water treatment plant, the ticket is punched by the employee at the treatment plant. Water can continue to be picked up until the ticket is exhausted. Bulk water purchases can also be billed to the customer after the water has been picked up. The Utility Clerk is provided a list of individuals to be invoiced by the water treatment plant. The list identifies the date the water was purchased, the individuals name, and the amount of water purchased. The Utility Clerk prepares an invoice and sends it to the customer. Payments are made at the Utility Department.

Both the water and sewer treatment plants provide lab testing for customers. Customers are billed after the test is preformed. For water lab testing, at the end of each month, the Utility Clerk is provided a list of customers to be billed for water tests. The Utility Clerk generates the invoice and sends it to the customer. For wastewater lab testing, at the end of each month, the Superintendent of the treatment plant generates an invoice and sends it to the customer. A copy of the invoice is also sent to the Utility Clerk to file until payment is received. Payments are made at the Utility Department.

Electric Department

The Building and Zoning Department collects receipts for services invoiced by the Electric Department, such as sale of meter bases, repair work, contract work, and non-commercial electric permits. The Building and Zoning Department prepares and sends the invoices for the services performed. Upon receipt of payment, either in person or by mail, the Building and Zoning Department prepares a receipt from a pre-numbered receipt book. Information included on the receipt is the date, department name, payer name, reason for payment, amount received, and the signature of the individual taking payment. The customer receives the original receipt, if payment is made in person, and the duplicate is retained in the receipt book. If payment is made by mail, the original receipt is attached to the copy of the invoice retained in the Building and Zoning Department. Upon payment, the pending invoice is also marked paid and filed.

Health Department

The Health Department collects receipts for the following: birth and death certificates, immunization fees, food service fees, food establishment fees, visuals, vending fees, temporary food service fees, trash hauler licenses, swimming pool licenses, mobile home park licenses, school nursing services, car seats, and contract services.

Payments are received in person in the Health Department or at various clinics held in other locations, and in the mail. When payments are received, a pre-numbered receipt is prepared for all receipts. Information on the receipt includes the date, department name, payer name, reason for payment, amount received, and the signature of the individual taking the payment. The original copy is given to the customer and the duplicate is retained in the receipt book. All of the receipt information is recorded in a manual ledger at the end of the month which identifies the type of service provided and lists the dates and amounts collected. A summary sheet is provided to the Finance Department monthly.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Monies collected each day are kept in a money bag that is kept in the clerk/registrar's desk. Overnight, the money bag is placed in a locked safe; however, the key to the safe is kept in an unlocked desk drawer. The following morning, the clerk/registrar prepares a deposit slip for the prior day's receipts which includes a breakdown of the amounts by revenue source. The Health Department keeps a copy of the deposit slip and submits the original and second copy to the Utility Clerk for further processing. After the deposit is made at the bank by the Utility Clerk, the Utility Clerk returns a copy of the deposit slip and the bank deposit receipt to the Health Department. All supporting documentation for receipts is maintained in the Health Department. At the end of the month, all supporting documentation is put in an envelope for the month and filed.

Building and Zoning Department

The Building and Zoning Department collects payments for permits; building, zoning, commercial electrical, rezoning, land subdivision, temporary store, sign, demolition, and various other permits, and inspection fees. The Building and Zoning Department also collects payments for grass mowing invoices, water and sewer taps and meters, copies, maps, board of appeals variance requests, occupancy certificates, sewer and street tearups, and rezoning application request fees. Payments are received in person and through the mail.

The Building and Zoning Department uses a cash register for recording all receipts and maintains a \$50 change fund. Receipts collected from the Administrative Office are also recorded on the Building and Zoning cash register. The cash register generates two tapes. One copy of the tape is maintained by the Building and Zoning Department (along with the supporting documentation) and the other copy is submitted to the Utility Clerk when a deposit is made. The Building and Zoning Department may not submit receipts daily if the amount is not deemed significant.

All monies collected by the Building and Zoning Department are kept in the cash register until deposited with the Finance Department. If the cash register has been closed for the day and a payment is received, a manual receipt is prepared from a receipt book. Information included on the receipt is the date, department name, payer name, type of permit or purpose of receipt, amount received, and the signature of the individual taking payment. The original receipt is given to the customer and the duplicate is retained in the receipt book. These receipts are kept in a money bag in a locked overhead desk shelf overnight. The following day, the transaction is recorded in the cash register and the cash register receipt is stapled to the duplicate copy retained in the receipt book. During the day, the key to the cash register is kept in the cash register. Overnight, the key to the cash register is locked in a filing cabinet in the Building and Zoning Clerk's office.

The Building and Zoning Clerk prepares a daily list of receipts. At the end of each day, the Building and Zoning Clerk verifies that the cash register tape for the day matches the daily list. The Building and Zoning Clerk also prepares an excel spreadsheet identifying the permits issued and the amounts collected. The spreadsheet is subtotaled by permit type. This information is for use by the Building and Zoning Department only and is retained by the department.

When a deposit is made, the Building and Zoning Clerk prepares a deposit slip and attaches the cash register tape(s) for the deposit. The Building and Zoning Department keeps one copy of the deposit slip and forwards the original and one copy of the deposit slip to the Utility Clerk for further processing. The Building and Zoning Clerk puts the deposit in a bank bag and places it in the drop box at the Finance Department at the end of the day. The Utility Clerk returns to the Building and Zoning Department a monthly report summarizing all deposits made during the month.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

Administrative Office

The Administrative Office collects payments for shelter and cabin rentals, paver bricks, civil service deposits, copies, and solicitor's permits. Payments are generally received in person but occasionally by mail. Five receipt books are utilized by the department, one for copies, one for civil service tests, one for solicitor permits, one for paver bricks, and one for shelter and cabin rentals. The receipt books are maintained by the Administrative Secretary and Administrative Assistant. However, if neither of these individuals is available, the Building and Zoning Clerk or Part-time Administrative Clerk will collect the payment and issue the receipt. Information included on the receipt is the date, payer name, purpose of the receipt, amount received, and the signature of the individual taking payment. The customer receives the original receipt and the duplicate is retained in the receipt book.

All receipts collected in the Administrative Office are recorded on the cash register in the Building and Zoning Department and deposited with that department's receipts, with two exceptions. Shelter and cabin rentals require a \$25 deposit which is held by the Administrative Office until the shelter/cabin is inspected after use. If the inspection is satisfactory, this deposit is returned to the individual. Civil service test applicants are required to submit a \$20 deposit which is held by the Administrative Office. When the applicant has completed the test, the deposit is returned to the applicant. For failure to take the test, the deposit is forfeited to the City. A letter is sent with the forfeited deposit to the Utility Clerk for deposit. The Utility Clerk will initial and return the letter to the Administrative Officer after the money has been deposited.

Auditor of State Comments

- Section 9.38 of the Revised Code requires the deposit of all public monies the next business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. The City is not consistent in following the requirements of section 9.38 of the Revised Code. The City must follow the provisions as outlined in the Revised Code and should establish a policy regarding the deposit of money.
- The Finance Department does not issue pay-in-orders to those departments making deposits with the Finance Department. The Finance Department should give consideration to preparing pay-in-orders which serve to document the payment for both the receiving and paying departments.
- The City's utility customers can currently make their utility payments at three banks within the City. However, the City experiences reconciling issues with one of the banks on a routine basis. The City has addressed the issue with the bank but problems continue to exist. The City should give further consideration as to whether this service should be continued with this particular bank.
- Cash from receipts collected is not adequately secured in all of the City's departments. Cash may be accessible to unauthorized City employees and/or the public. Receipts must be kept in a secured location with limited access to those employees involved in taking receipts and/or making change. The City should establish a cash management and handling policy.

City of Galion - Crawford County

Report on Accounting Methods

Receipt Transactions

(continued)

- A number of departments provide goods or services that there does not appear to be sufficient controls in place to verify that payment is received and deposited for all goods or services provided. The City should establish policies and develop control procedures to ensure that payment is made for all goods and services provided.
- The City has no policy regarding the pursuit of delinquent accounts. The City has delinquent accounts for utility services and EMS services that may be significant. The City should develop a policy addressing how it will pursue delinquent accounts for all City departments.
- The Fire Department uses a third-party administrator to process and collect receipts for EMS runs. There is no review made by the Fire Department that amounts billed match the services provided or that the City actually receives all of the amounts collected by the third-party administrator. Procedures should be put in place to ensure that the City is receiving the correct amount for services billed and collected.

City of Galion - Crawford County

Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

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

Statutory Requirements

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

Certification of the Fiscal Officer - Each contract or order for the disbursement of monies must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing year, the amount required to meet the obligation in the year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous 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 does not extend beyond year end in an amount established by resolution of Council. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine, recurring type items or for unanticipated emergencies. An itemized statement of obligations incurred and disbursements made under such certificate shall be rendered to the auditor or other chief fiscal officer before another such certificate may be issued, and not more than one such certificate per appropriation line shall be outstanding at a time.

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

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.

City of Galion - Crawford County

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 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 City.

Authority to Contract - Contracts are made by Council and executed in the name of the City by the City Manager.

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

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

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

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

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

City of Galion - Crawford County

Report on Accounting Methods

Purchasing Process

(continued)

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

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

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

Methods Used by the City

A vendor list for purchases is maintained by the City. New vendors are added to the list as needed. The City provides new vendors with the City's tax exempt number, billing address, and contract information. The vendor is required to provide remittance information and complete an IRS Form W-9. The vendor file is updated by the Finance Department as needed.

The City's purchasing procedures require that a purchase requisition be prepared for all purchases. The purchase requisition form is filled out by the City employee making the request for purchase with the date requested, vendor name and number, a brief description of the purpose, the quantity, item description, unit price, total amount, and account number. All purchase requisitions are approved by the department head and forwarded to the purchasing agent.

The purchasing agent reviews all purchase requisitions. Approved requisitions are either returned to the department for those departments who enter their purchase requisitions into the computer (administration, fire, health, police, water, and sewer) or forwarded to the Finance Department to enter the purchase requisition. Rejected purchase requisitions are returned to the department.

City of Galion - Crawford County

Report on Accounting Methods

Purchasing Process

(continued)

For departments that enter their own purchase requisition information into the computer system, once data entry is completed, the original purchase requisition is sent to the Finance Department. The Finance Department Clerk enters the information for the purchase requisitions for the remainder of the City's departments. As the purchase requisition information is entered into the computer system, the computer system will alert the individual if there are not sufficient amounts appropriated to cover the purchase. However, the Finance Department Clerk has the ability to override the alert and continue processing the purchase requisition. The Finance Department Clerk notifies the Deputy Finance Director of any issues.

The Finance Department Clerk generates a Hold File Report. The information on this report is matched to the individual purchase requisitions. In addition, the Finance Department Clerk reviews the account numbers to determine if the account number being used for the purchase appears reasonable. Once the Hold File Report has been verified, the purchase requisitions are posted in the computer system which generates the purchase orders.

All purchase orders with requisitions attached are given to the Finance Director to certify funds are available for the purchase. If funds are available, the Finance Director signs the purchase order and forwards the purchase order to the City Manager for final approval and signature.

The City uses two part purchase orders. The original copy (white) is attached to the purchase requisition and filed alphabetically by department and then vendor in the Finance Department. The duplicate copy (yellow) is returned to the department who then places the order. A purchase order can be cancelled at any time prior to the acceptance of the goods or services. To cancel a purchase order, the department head returns the yellow copy to the Finance Department indicating that it is to be liquidated and the Finance Department Clerk cancels the purchase order in the computer system.

The City has the ability to increase the amount of the purchase order after the purchase order has been certified by the Finance Director if the Finance Director approves the change. These adjustments are only allowed for changes of \$100 or less. This would generally occur after receipt of the invoice and it is determined that the amount on the purchase order is not sufficient to pay the invoice. If the difference is more than \$100, a new purchase requisition needs to be submitted.

Purchases over \$25,000, unless statutorily exempt, are required to be bid. All bids are sent to the City Manager who places the bids, checks, and bid bonds in the Administrative Assistant's office. The City Manager, Finance Director, Engineer (if needed), Department Head, Assistant Department Head, and Administrative Assistant attend the bid openings. Minutes are taken by the Administrative Assistant. The Board of Control (defined by Charter) determines who will be awarded the bid.

The Administrative Assistant or the Engineer sends the awarded company a notification and a contract is prepared. The Administrative Assistant sends the contract to the Law Director for review. Upon completion of the Law Director's review, four copies of the contract are sent to the company awarded the contract. After signed copies are returned to the City, the City Manager, Finance Director, and Law Director sign the contracts. The executed copies of the contract are distributed to the company, City Manager, Finance Director, and the department. Losing bidders receive a rejection letter, along with their check (if applicable).

City of Galion - Crawford 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 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. Vouchers should be approved for payment by and appropriate official. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (IRS Form 1099 data), and a properly executed certification by the Finance Director. All checks should be signed by the Finance Director 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 City treasury only on appropriations enacted by Council. Disbursements from each fund may be made only for the purposes of such fund and to the extent that cash exists in the fund.

Certification - If no certificate of the fiscal officer is furnished as required, upon receipt by the Council of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Council may authorize the drawing of a check in payment of amounts due upon such contract, but such ordinance shall be passed within 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 Council, if such disbursement is otherwise valid.

Administrative Code Requirements

Section 117-2-02(C)(3) of the Ohio Administrative Code states “vouchers may be used as a written order authorizing the drawing of a 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”.

City of Galion - Crawford County

Report on Accounting Methods

Cash Disbursements

(continued)

Methods Used by the City

When the City receives goods or services, the receiving department will verify with the packing slip and purchase order that the correct goods and quantities have been received. Invoices for goods or services are received by the Finance Department and date stamped before being forwarded to the department head. The department head will sign the invoice verifying the items purchased, quantity, and the cost are accurate. After verifying the information, the department attaches their copy of the purchase order, and any other supporting documentation they may have such as a packing slip, to the invoice and returns it to the Finance Department for further processing. If the yellow copy of the purchase order is returned to the Finance Department with the invoice, the purchase order is closed after the check has been printed.

The Finance Department Clerk reviews the invoice and the purchase order to verify the information matches. A voucher jacket is then manually prepared. To begin the process of generating checks, the Finance Department Clerk assigns the appropriate purchase order number and enters applicable information from the invoice. After all invoices are entered, the Finance Department Clerk generates an Invoice Status Report. The invoices are then matched to the report to determine if any errors occurred in data entry. The Finance Department Clerk also matches the total of the Invoice Status Report to the total of an adding machine tape of the invoices. Once verified, the transactions are posted and a Check Pre-Register Report is printed which provides another opportunity to verify the information before generating the checks. Then the checks are printed. After the checks are printed, the check number is written on the voucher jacket and the voucher jacket is date stamped.

The City generates checks on two different machines, dependent upon the number of checks to be generated. Each machine has its own signature plate. Signature plates are kept in a locked safe in an unlocked vault. The key to the safe is kept in the unlocked vault; however, the key is accessible to anyone who enters the vault. Unused checks are kept in a locked drawer.

After all checks have been printed, a final check register is printed and given to the Finance Director, along with the voucher jackets. The Finance Director verifies the vouchers match the check register and signs the voucher jackets and the check register. Any checks over \$5,000 require two signatures and are taken to the City Manager to review and sign. Checks are then returned to the Finance Department Clerk and mailed.

The checks are a three part document. The original is mailed to the vendor, the pink copy is filed in check number order, and the yellow copy with supporting documentation attached is put in the voucher jacket and is filed in check number order. Voided checks are stamped "void" on all three parts and filed with the other checks.

The City also makes several payments through electronic fund transfers, such as payments on debt, medical insurance, sales tax, credit card fees, etc. In these instances, no physical check is generated; however, the information appears on the check register in the same fashion as other checks and is listed as a prepaid check.

Auditor of State Comments

- The key to the safe is kept in a location that is accessible to anyone. As the safe contains unused checks as well as the signature plates, this key must be kept in a more secured location.

City of Galion - Crawford 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 federal and state taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the City 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 the 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 relevant employee information and any other information required by state and/or federal laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

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 City to fix the compensation and bonds of all officers, clerks, and employees of the City 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 City Manager. 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 City

All full and part-time employees are compensated biweekly except for the Council, the Law Director, the Civil Service Commission, and the Airport employee who are all paid a monthly salary. All monthly payrolls are paid on the first payroll of the month. All full and part-time employees are paid bi-weekly over twenty-six pay periods. Each pay period begins on a Sunday. Pay checks are distributed on the Wednesday following the pay period end for bi-weekly employees. All employees are paid in accordance with the City's pay ordinance or bargaining unit contracts. All employees receive an earnings statement with each paycheck that indicates gross and net earnings, withholding (for the pay period and the year to date), leave time used during the pay period, and leave balances as of the end of the pay period.

City of Galion - Crawford County

Report on Accounting Methods

Payroll Processing

(continued)

Employee personnel files are maintained by both the Finance Department and at City Hall. Files in the Finance Department include the position description, wage amount, hire date, withholding information, benefits information, and voluntary deductions information. The file at City Hall contains the position description, wage amount, hire date, and any other information required by the City Manager. The City's payroll software has an employee record for each employee which consists of the information kept in the Finance Department's files. Employee records are maintained by the payroll clerk and changed only upon the receipt of a Personal Action Form signed by the department head and the City Manager.

The City has both bargaining unit and non-bargaining unit employees.

Bargaining Unit Employees - The City's bargaining unit employees are associated with three negotiated agreements as follows:

Police - The police officers, lieutenants, and dispatchers salaries and benefits are governed by a negotiated agreement between the City and the Ohio Patrolmen's Benevolent Association. The terms and conditions of the current collective bargaining agreement between the parties covers the period of January 1, 2008, to December 31, 2010. The contract has detailed information pertaining to compensation, fringe benefits, absences, leave accruals, and overtime compensation.

Fire Fighters - The fire fighters salaries and benefits are governed by a negotiated agreement between the City and Local #435 of the International Association of Firefighters, AFL-CIO. The terms and conditions of the current collective bargaining agreement between the parties covers the period of January 1, 2008, to December 31, 2010. The contract has detailed information pertaining to compensation, fringe benefits, absences, leave accruals, and overtime compensation.

Other - Other employees, including non-administrative utilities employees, salaries and benefits are governed by a negotiated agreement between the City and Local 2243 of the Ohio Council 8 American Federation of State, County, and Municipal Employees, AFL-CIO. The terms and conditions of the current negotiated bargaining agreement between the parties covers the period of January 1, 2008, to December 31, 2010. The contract has detailed information pertaining to compensation, fringe benefits, absences, leave accruals, and overtime compensation.

Non-Bargaining Unit Employees - City Ordinance 2001-084 established the rates and pay ranges for all positions, vacation and sick leave accruals, retirement contributions, and benefit packages for all employees not covered under a union contract, with the exception of the Council, the Law Director, and the Civil Service Commission. City Ordinances 2005-045 and 2007-11 made some minor modifications and clarifications to the 2001 ordinance.

Elected Officials - City Ordinance 2005-53 replaced City Ordinance 2004-58 establishing the salary of certain City officials. The President of Council is paid \$420 a month. The Council members are paid \$350 a month. The Council Clerk is paid \$350 a month. Council members are paid a salary regardless of attendance at meetings. All absences are excused by vote of Council.

City of Galion - Crawford County

Report on Accounting Methods

Payroll Processing

(continued)

Overtime and Compensatory Time - Employees work overtime in all departments at the discretion of the department head. The overtime rate for department heads is straight time and is time and one-half for all other employees. Compensatory time may be earned in place of paid overtime. Department heads earn compensatory time at straight time and at time and one-half for all other employees.

Leave - Vacation, sick, and personal leave is credited to each employee at the accrual rates indicated in the negotiated agreement or City Ordinance. All departments use a leave form. Leave forms are completed before any employee takes leave time, except sick leave for illness. All leave time is approved by the department head. Leave time used is recorded in the payroll system by the Payroll Clerk based on the submitted leave forms. The computer system maintains leave balances for all leave types. Leave time used and leave balances are printed on each employee's pay stub each pay. If the employee uses more leave time than the employee has available, the employee will not be paid (unpaid leave).

Payroll Deductions - Payroll, tax, and retirement forms are completed by each new employee at the Finance Department. The Finance Department enters the employee's demographic and salary information into the computer. The Finance Department creates the employee record and notifies the appropriate retirement system of each new hire.

Payroll deductions for OPERS, the Ohio Police and Fire Pension System, and Medicare are processed through the payroll system. After the last pay period in each month, a report is run for OPERS and for the Ohio Police and Fire Pension System to determine the employer's share for each retirement system. The OPERS report and payment are due on the 30th of the following month and the Ohio Police and Fire Pension System report and payment is due on the 30th of the month following the last month of the quarter. These reports and payments are filed electronically.

Payroll Processing - All finance department, utility department, and street department employees use time cards. At the end of each pay period, the employee transfers the timecard information to timesheets. All other employees use timesheets only. The timesheets provide the following information for each employee: regular hours worked, overtime hours worked, and vacation, sick, holiday, and personal hours used. Each department head reviews the timesheets and calculates the gross pay for each employee by multiplying the number of hours worked by their hourly rate. The department head signs the timesheets and submits them to the Finance Department for further processing.

All timecards, timesheets, and leave forms are due to the Payroll Clerk by noon on Monday of the week following the last day of the pay period. The Payroll Clerk recalculates each timesheet. The Payroll Clerk enters the regular hours worked, overtime hours worked or compensatory time earned, and leave time taken into the payroll software. (Some departments can enter their payroll information remotely. These departments include the electric, health, police, sewer, street, and water departments. For these departments, the Payroll Clerk compares the timesheets to the data entered by the departments on the computer screen.) After all payroll data has been entered, a Timecard Proof Report is run to verify all timecard information has been entered accurately. Once verified, the payroll is posted and a Current Period Register is printed. The Current Period Register is reviewed and if there are no adjustments needed, two check registers are printed. One copy of the check register is retained in the Finance Department, the other copy is given to the Civil Service Commission.

City of Galion - Crawford County

Report on Accounting Methods

Payroll Processing

(continued)

The Payroll Clerk runs an Account Distribution Report and all other payroll and deduction reports. Once all payroll reports have been generated, the Payroll Clerk backs up the payroll system. A payroll voucher jacket is partially prepared prior to checks being printed with department name, fund number, dollar amount for that department, and date.

On Wednesday of the pay week, payroll and some deduction checks are printed. Other deductions are transferred electronically. All checks are signed when printed by a signature plate. Payroll checks are grouped by department, put in envelopes, and held by the Payroll Clerk until distribution. The Finance Director distributes the payroll checks to the department heads at the Wednesday department head meeting.

After checks have been printed, the Payroll Clerk transfers the payroll data into the financial accounting system. At this time, the payroll voucher jacket is completed for each department. In addition, a copy of the Current Period Register is given to the Utility Clerk who is responsible for transferring funds from the general checking account to the payroll checking account. The Payroll Clerk then processes the electronic fund transfers for OPERS, Ohio Police and Fire Pension, Medicare, and taxes.

Retirement - When an employee wishes to retire, the employee is required to submit a resignation letter. OPERS or the Ohio Police and Fire Pension System are sent notification of the employee's last working day and payroll information. After the employee's last payroll information is entered into the City's payroll software, the outstanding balances for vacation, sick, and compensatory time are verified. Upon retirement, employees receive payment for all unused vacation, personal leave, and compensatory time. Sick leave is paid at various rates depending upon the union contract or City Ordinance.

City of Galion - Crawford County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

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

Statutory Requirements

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

Methods Used by the City

The Deputy Finance Director monitors debt payments using separate purchase orders which are completed prior to the time the debt payments are due. Payments are made electronically for all debt obligations, except for OPWC who is paid by check.

The City's debt is described below:

Table with 5 columns: Debt Issue, Interest Rate, Issue Date, Issue Amount, Date of Final Maturity. Rows include Notes Payable (Street Improvement, Stormwater Improvement, Local Government Fund), General Obligation Bonds (Library, Vehicle Acquisition, Street Acquisition, Various Purpose, OMEGA JV2, Electric Improvement), and Loans Payable (OPWC Cherry Street Sewer, OPWC Railroad Street Waterline, OPWC West End Waterline, OPWC Street Resurfacing, OWDA Raw Water, OWDA Cheshire Stormwater, OWDA Water Treatment, OWDA Stormwater Improvement, OWDA Water System Improvement, OWDA Sewer System Improvement, OWDA Bio-Solids).

City of Galion - Crawford County

Report on Accounting Methods

Debt Administration

(continued)

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Date of Final Maturity</u>
<u>Capital Leases</u>				
Street Sweeper	4.95%	01/18/2007	\$146,381	01/18/2011
<u>Other Long-Term Obligations</u>				
Police Pension	5.00	05/01/1968	33,615	05/01/2035
Fire Pension	5.00	05/01/1968	127,412	05/01/2035

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

<u>Debt Issue</u>	<u>Pledged Revenues</u>	<u>Fund</u>
<u>Notes Payable</u>		
Street Improvement	General Fund Revenues	General Fund
Stormwater Improvement	Charges for Services	Stormwater Operating
Local Government Fund	Local Government Allocation	General Fund
<u>General Obligation Bonds</u>		
Library	Property Taxes	General Bond Retirement
Vehicle Acquisition	General Fund Revenues	General Fund
Street Acquisition	General Fund Revenues	General Fund
Various Purpose	Contributions	Freese Debt Service
OMEGA JV2	Charges for Services	Electric Operating
Electric Improvement	Charges for Services	Electric Operating
<u>Loans Payable</u>		
OPWC Cherry Street Sewer	Charges for Services	Sewer Operating
OPWC Railroad Street Waterline	Charges for Services	Water Operating
OPWC West End Waterline	Charges for Services	Water Operating
OPWC Street Resurfacing	General Fund Revenues	General Fund
OWDA Raw Water	Charges for Services	Water Operating
OWDA Cheshire Stormwater	Special Assessments	Cheshire Special Assessment
OWDA Water Treatment	Charges for Services	Water Operating and Sewer Operating
OWDA Stormwater Improvement	Charges for Services	Stormwater Operating
OWDA Water System Improvement	Charges for Services	Water Operating
OWDA Sewer System Improvement	Charges for Services	Sewer Operating
OWDA Bio-Solids	Charges for Services	Sewer Operating
<u>Capital Leases</u>		
Street Sweeper	Charges for Services	Stormwater Operating
<u>Other Long-Term Obligations</u>		
Police Pension	Property Taxes and General Fund Revenues	Police Pension
Fire Pension	Property Taxes and General Fund Revenues	Fire Pension

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

City of Galion - Crawford 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 adequately safeguarded against loss or theft. The City should have a policy that defines capital assets, establishes capitalization thresholds, useful lives, method of depreciation, methods to be used in tracking capital assets, how to assign assets to programs, and the recording of depreciation. An inventory should be maintained describing each item, cost, serial and/or model number, location, date of purchase, fund purchased from, program used in, asset type, tag number, location, useful life, salvage value, annual depreciation, and accumulated depreciation. The inventory should be updated throughout the year for acquisitions 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 Finance Director so that any proceeds from the disposal can be properly recorded, the asset can be removed from the capital asset listing, and insurance coverage can be discontinued.

A physical inventory of materials and supplies should be performed periodically to insure that items purchased are on hand or have been used. In addition, a physical inventory of all material items should be conducted for reporting on the City's financial statements.

Administrative Code Requirements

Section 117-2-02(D)(4)(c) of the Ohio Administrative Code requires that all public offices should maintain capital asset records including such information as the original cost, acquisition date, voucher number, asset type (land, building, vehicle, etc.), asset description, location, and tag number. Local governments preparing financial statements using generally accepted accounting principles may 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.

Methods Used by the City

The City has a capital assets manual; however, no one knows when it was created or if it has ever been followed. It has never been updated.

The City established its inventory of capital assets in 2005. The City has a capital asset threshold of \$10,000. To establish the capital asset inventory, property cards were retrieved from the counties in which the City owns property to record all land and buildings. Vehicle titles were reviewed to record vehicles. Departments provided a list of the heavy equipment, such as backhoes, tractors, etc. The Street Department researched records to develop an inventory of all streets and bridges in the City and their construction costs. The City engineer developed an inventory of all infrastructure including water lines, sewer lines, and storm water lines. In addition, departments reviewed bid documents, contracts, etc. to determine costs for treatment plants, reservoirs, water towers, electric substations, etc.

The City has determined that the only departments with significant consumable materials and supplies are the Street Department (automobile fuel, aviation fuel, road salt, etc.) and the Water and Sewer Treatment plants (chemicals). An inventory of these items is prepared annually on or about December 31.

City of Galion - Crawford County

Report on Accounting Methods

Capital Assets and Supplies Inventory

(continued)

Auditor of State Comments

- The City's capital assets manual should be reviewed and updated to reflect the policies the City will utilize for identifying and recording capital assets. The policies need to reflect the threshold amount for capitalizing assets, the procedures to be followed for asset acquisitions and disposals, and identify the information which must be maintained for each asset for reporting in the City's financial statements.
- The City needs to develop a method of tagging capital assets, with each asset having a unique number. The City should assign tags and asset numbers to assets at the time they are delivered to ensure that all assets acquired are accounted for.
- The City should develop and implement written policies and procedures for consumable inventory. The City has identified those departments who maintain a significant consumable inventory at year end. All departments should be periodically reviewed to determine if other departments may have a significant inventory of supplies which should be recorded.

City of Galion - Crawford 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. Idle cash should be invested in interest bearing accounts, certificates of deposit, STAR Ohio, and/or other investments as authorized by State statute. Investment transactions should be conducted in accordance with the policies adopted by Council. Deposits of public monies should be insured and/or collateralized to 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.

Statutory Requirements

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

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

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

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

Section 135.22 of the Revised Code requires that the treasurer attend annual training programs of continuing education for fiscal officers provided by the Treasurer of State. A 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 Revised Code requires that the designation period for depositories be five years.

City of Galion - Crawford County

Report on Accounting Methods

Cash Management and Investing

(continued)

Federal Requirements

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

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

Charter Requirements

The Finance Director shall submit annually an investment policy for Council approval.

Methods Used by the City

The City's treasury activities are the responsibility of the Finance Director. The City has multiple accounts in multiple banks.

Bank Account

National City General Account

This checking account is used for the general operation of the City and receives all wire transfers to the City. Transfers are made from the United Bank account into this account each night.

The Bank of New York Trust Account

This trustee account receives local government revenues pledged for the repayment of \$818,000 in local government fund notes issued by the City.

First Federal Galion Electric and Water Collection Account

This account is one of three accounts established for City residents to pay utility bills at the bank. The deposits in this account are made by citizens and a check is written to the City at the end of each month from this account by the bank.

United Bank Utilities Collection Account

This account is one of three accounts established for City residents to pay utility bills at the bank. The deposits in this account are made by citizens and a check is written to the City at the end of each month from this account by the bank.

City of Galion - Crawford County

Report on Accounting Methods

Cash Management and Investing

(continued)

Bank and Account Number

Galion Building and Loan Utilities
Collection Account

This account is one of three accounts established for City residents to pay utility bills at the bank. The deposits in this account are made by citizens and a check is written to the City at the end of each month from this account by the bank.

United Bank Account

This checking account is used for the general operation of the City and receives all deposits made by the City. The balance in this account is transferred to the National City General Account each night.

National City Payroll Account

This checking account is used for payroll distribution.

Galion Building and Loan Victims
Assistance Account

This account is used to provide monetary assistance such as meals, medical care, etc. to individuals when no other resources are available. This bank account has been inactive since 2005. The balances is \$170.46

The National City General Account serves as the City's primary depository account. It receives all wire transfers to the City and checks are written against this account for all obligations of the City, with the exception of debt payments made from the Bank of New York Trust Account. Since there is no longer a branch office for the National City Bank located in the City, the City makes all local deposits into the United Bank Account. The balance of this account is transferred to the National City General Account each night.

The City also maintains a payroll account at National City Bank. Each payroll, the Utility Clerk transfers the total amount of the gross payroll from the General Account to the Payroll Account. The Payroll Account serves only as a payroll clearing account.

The Deputy Finance Director is responsible for all monthly bank reconciliations. The Deputy Finance Director obtains the bank statements from each bank on-line the first business day following month end. The Deputy Finance Director enters the checks that have cleared the bank into the accounting software for the Payroll Account and the Finance Department Clerk enters the cleared checks into the accounting software for the General Account. In addition, the Deputy Finance Director prepares an excel spreadsheet of outstanding checks.

City of Galion - Crawford County

Report on Accounting Methods

Cash Management and Investing

(continued)

The Deputy Finance Director prepares the bank reconciliations on a four columnar spreadsheet. On the top section of the spreadsheet, the first column identifies the beginning balance from each bank statement, the second column lists the receipts from each bank statement, the third column lists the disbursements from each bank statement, and the final column identifies the ending balance from each bank statement. On the bottom section of the spreadsheet, reconciling items for each bank account are listed, including deposits in transit, outstanding checks, and other factors such as non-sufficient fund checks, bank errors, etc. Once completed, the receipts and disbursements columns will match the receipts and disbursements on the City's Statement of Cash Position generated from the accounting software.

Monthly bank reconciliations are generally completed within one or two days after month end.

Upon completion of the bank reconciliations, the Deputy Finance Director puts the bank statements, reconciliations, and support for any adjustments in a separate folder for each month. These folders are kept in the Deputy Finance Director's office. The bank reconciliations completed by the Deputy Finance Director are reviewed by the Finance Committee of Council.

The City has a number of petty cash/change accounts maintained in various City departments. None of these amounts are recorded on the City's books.

These accounts consist of the following:

Utility Department - The Utility Department maintains three cash registers, each with a change fund of \$300. Each cash register has its own safe below the cash register to store the cash box for each register overnight. Each cash register has its own key which is also kept in the safe below the cash register overnight. Each safe requires both its own key and combination to be opened. Each utility clerk keeps the key to their safe somewhere in their unsecured work area. Currently, only two of the cash registers are used as there are only two utility clerks. Both utility clerks have access to all three keys and know all three combinations for the safes. The next business day, the prior's days cash receipts are reconciled by the clerk who operated that cash register and amounts in excess of \$300 per register are paid into the Finance Department.

Health Department - The Health Department maintains two change funds, \$100 for immunizations and \$30 for vital statistics. Each change fund is maintained in a separate money bag kept either on a desk or in an unlocked desk drawer. Receipts in excess of \$130 in total are paid into the Finance Department.

Building and Zoning - The Building and Zoning Department maintains a \$50 change fund. This change fund is used by the Building and Zoning Department for permit sales and by the Administrative Assistant for park shelter rentals. The change is kept in a cash register. The key for the cash register is left on the desk in the Building and Zoning Department and is accessible to anyone. Receipts in excess of \$50 are paid into the Finance Department.

City of Galion - Crawford County

Report on Accounting Methods

Cash Management and Investing

(continued)

Recreation - The Recreation Department maintains a \$200 change fund at the Peco Park concession stand during its months of operation. This fund is used for candy and pop sales. The change is kept in a cash register during the day and kept by the Finance Department Clerk overnight. Receipts in excess of \$200 are paid into the Finance Department.

There has been no ordinance or resolution passed by Council establishing petty cash/change funds.

The City has a written investment policy approved by Council. The City filed an investment policy with the Auditor of State in 1997; however, the City modified this policy significantly in 2005. This policy has been filed with the Auditor of State.

As required by Charter, the Finance Director submits annually an investment policy for Council approval.

Auditor of State Comments

- The City has a number of petty cash/change funds; however, there has been no ordinance or resolution passed by Council establishing these funds. Council should prepare an ordinance defining each petty cash/change fund and identify the department in which it will be maintained, the purpose, and the amount.
- The City's petty cash/change funds are carelessly maintained. The City must establish policies and procedures for the maintenance of these funds and implement procedures to limit access to and provide security for these monies. Petty cash and change funds are currently not recorded as part of the City's cash balances on the City's books. These monies should be recorded on the City's books.

City of Galion - Crawford County

Report on Accounting Methods

Financial Reporting

Description of an Effective Method of Financial Reporting

At least monthly, the Finance Director should provide Council with a report that identifies 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, appropriations, and disbursements plus encumbrances should be presented for Council's review. On an annual basis, the Finance Director should prepare and publish financial statements in accordance with generally accepted accounting principles which demonstrate the City's financial position and results of operations for the year.

Statutory Requirements

Section 117.38 of the Revised Code requires that the annual financial report be filed with the Auditor of State within one hundred fifty days after the close of the year for reports prepared in accordance with generally accepted accounting principles. At the time the report is filed, a notice should be published in the local newspaper that the report is completed and available for public inspection at the office of the Treasurer.

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

Administrative Code Requirements

Ohio Administrative Code section 117-2-03(B) requires that all Cities shall prepare annual financial reports using generally accepted accounting principles.

Charter Requirements

The City Manager shall prepare and submit to the Council a five year capital improvement plan before April 1 of each year. The capital improvement plan shall provide a list of all capital improvements proposed to be undertaken during the five years next ensuing, with supporting information as to the necessity for the improvements. In addition, costs estimates, the method of financing, recommended time schedules, and the estimated annual cost of operating and maintaining facilities to be constructed or acquired are to be provided for all improvements listed. Capital improvement appropriations can be made only by ordinance authorization of Council.

Methods Used by the City

The City prepares its annual financial report in accordance with generally accepted accounting principles.

City of Galion - Crawford County

Report on Accounting Methods

Financial Reporting

(continued)

At the first Council meeting of each month, Council is provided a YTD Fund Summary Report. This report identifies each fund by fund number and name and provides the following information for each fund: the beginning of year fund balance, the estimated receipts for the year, the actual year to date receipts, the percentage of receipts collected (comparing actual to estimated), the amount appropriated for the year, the actual year to date disbursements, the percentage of disbursements made (comparing actual to appropriations), the year to date fund balance, encumbrances, and the unencumbered fund balance.

The Chairman of the Finance Committee and the Clerk of Council are provided the Revenue Report by Fund and Account Number and Expenditure Report by Fund and Account Number. The Revenue Report identifies the estimated revenues for the year, the month to date revenue received, the year to date revenue received, the uncollected revenue year to date, and the percentage of revenue received to date. The Expenditure Report identifies the total appropriations, the month to date expenditures, the year to date expenditures, the encumbered year to date amount, the unencumbered year to date amount, and the percentage of unspent appropriations year to date.

Auditor of State Comments

- Currently, Council is only reviewing the YTD Fund Summary Report generated by the Finance Department. Council should establish the types of reports it wants to review as well as the frequency with which it wants to review them. The YTD Fund Summary Report only presents the City's financial position at the fund level, not at the legal level of budgetary control established by Council, which is the at fund, program, department, and object level. A report which provides for review of budget versus actual amounts for receipts and disbursements at the legal level of control should be provided to Council for review on a regular basis.
- The City's Charter requires the City Manager to prepare and submit to Council a five year capital improvement plan before April 1 of each year. The last capital improvement plan submitted by the City Manager was in 2004. Currently, the City is identifying their most critical capital needs for the next five year period in the City's Financial Recovery Plan. In accordance with the City's Charter, the City Manager should annually submit to Council a capital improvement plan. However, this capital improvement plan must stay within the parameters of the Financial Recovery Plan.

City of Galion - Crawford 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 bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or bylaw, the yeas and nays should be entered into the minutes and the ordinance, resolution, or bylaw should be signed by the presiding officer and the Clerk of Council. All Council minutes, ordinances, and resolutions should be maintained as a permanent record of the City.

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 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 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 municipality, copies of the ordinances and resolutions must be posted in no less than the five most public places in the municipality 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 municipality.

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.

Methods Used by the City

The Clerk of Council is responsible for recording and maintaining the minutes of all Council meetings. All Council meetings are recorded and the minutes are transcribed by the Clerk of Council following the meeting. Minutes are presented to Council at their subsequent meeting for approval.

City of Galion - Crawford County

Report on Accounting Methods

Conclusion

The methods as described by the City and included in this report are based on our inquiries and discussions with City personnel and the related procedures documented from the City's ordinances, resolutions, 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 City of Galion 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.



Mary Taylor, CPA
Auditor of State

CITY OF GALION

CRAWFORD 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
MARCH 31, 2009**