



Mary Taylor, CPA
Auditor of State

**Village of Waynesville
Warren County, Ohio**

Report on Accounting Methods

Local Government Services Section

Village of Waynesville – Warren County

Report on Accounting Methods

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CERTIFICATION

In compliance with the requirement set forth in Section 118.10(A) of the Ohio Revised Code, an assessment of the methods, accuracy, and legality of the accounts, records, files, and reports of the Village of Waynesville was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Village and 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 and summarized in the conclusion. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the Village of Waynesville; Earl J. Isaacs, Mayor of the Village of Waynesville; and Sandra Stemple; President Pro Tempore of Council.

Mary Taylor

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May 6, 2010

Village of Waynesville – Warren County

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Purpose

As required by Section 118.10(A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the 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, the requirements of the office of the Auditor of State have been compiled with..."

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

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Village of Waynesville. We were not engaged to, nor did we perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Village of Waynesville – Warren County

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Governance Overview

The Village of Waynesville (the “Village”) is located in southwest Ohio in Warren County. The Village is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Operating under the current charter adopted May 3, 1994, the Village has all powers of local self-government and home rule now or hereafter granted to municipalities by the laws of the State of Ohio. The decision-making process is directed by an elected Council and an appointed Village Manager.

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

The Mayor is a member of Council and serves as President of Council. He or she shall have the right to vote on all matters before Council but has no veto power. The Mayor shall be the head of the Village government for all ceremonial and non-administrative purposes and is the chief spokesperson for the Village in dealing with other governments. The Mayor shall have judicial powers as provided by the general laws of Ohio and shall perform such other duties as may be prescribed, from time to time, by ordinance of the Council.

The Village Manager is an appointed position and serves as the chief executive, administrative, and law enforcement officer of the Village. The Village Manager supervises the administration of the Village.

The Finance Director is appointed by Council and serves as the chief fiscal officer of the Village and Clerk for the Council. The Finance Director attends all Council meetings and keeps a record of all proceedings, rules, bylaws, and legislation. In addition, the Finance Director keeps accurate statements of all monies received and disbursed by the Village and keeps records of all property owned by the Village and of all taxes and assessments. The Finance Director establishes the accounting procedures necessary to comply with the Ohio Revised Code and the administrative rules adopted by the Auditor of State.

Council, by an affirmative vote of at least five members, appoints an attorney licensed in the State of Ohio to serve as the Law Director and to handle any legal matters for the Village. The Village Law Director is the chief legal officer of the Village.

On April 15, 2008, the Village was declared to be in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Revised Code Section 118.05. Commission membership is as follows:

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

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Governance Overview

(continued)

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

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

This Commission is required to adopt a financial recovery plan for the Village within 120 days of its first meeting. The recovery plan was submitted to the Commission on October 16, 2008. By State statute, the Village must operate within the provisions of the recovery plan.

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

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

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

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Budgetary System

Description of an Effective Budgetary System

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

Statutory Requirements

The budgetary process for the village is prescribed in Chapter 5705, 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.

The Tax Budget - The mayor prepares an annual tax budget for the period of January 1 to December 31 of the following year of estimated revenues and expenditures for all funds of the village. The budget must be filed in the fiscal officer's office for public inspection ten days before adoption by Council. Section 5705.30 of the Revised Code requires that at least one public hearing be held for discussion of the budget and that public notice be given not less than ten days prior to the date of the hearing. Council is required to adopt the budget no later than July 15 and the budget must be submitted to the county budget commission by July 20 of each year.

The county budget commission examines the budget to ascertain that all tax levies of the village are properly authorized. The budget commission also revises and adjusts the estimated receipts for property taxes and local government fund allocations. The budget commission then prepares and submits to the village the resolution accepting rates for council's consideration. Council must accept or reject the rates outlined in the resolution and file the resolution with the budget commission. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the county auditor.

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

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

Village of Waynesville – Warren County

Report on Accounting Methods

Budgetary System

(Continued)

On or about January 1, the finance director certifies the actual year-end balances for all village 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 at December 31. Further amendments may be made during the year if the finance director determines that the revenue to be collected by the village will be greater than or less than the amount included in the official certificate of estimated resources.

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

The 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 the legislative authority. The section also requires the involvement of each office and department of the village, comparative financial information for the previous years and the next year for each office, department, and division, a public hearing after at least one week's notice, approval of the council, and submission to the county budget commission which shall fix the total maximum tax levy permitted to the village for the ensuing year.

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

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Budgetary System

(Continued)

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

Section 117-2-02(C)(1) of the Administrative Code, states that 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.

Section 117-9-02 of the Administrative Code, states that the legal level of control is the level at which spending in excess of budgeted amounts would be a violation of law. This is established by the level at which the legislative body appropriates. Any appropriation amendments to increase or decrease appropriations at the legal level of control must have council approval. Section 117-02-02(C)(1) of the Administrative Code states that all local public offices subject to provisions of Chapter 5705 of the Revised Code, which includes the Village, 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.

Charter Requirements

Article V, Section 5.04(E) requires the Village Manager to prepare and submit the annual budget, a five year capital program and appropriation ordinance to Council. The capital plan is to be submitted to Council at least one month prior to adoption of the budget.

Article V, Section 5.04(E)(3) requires Council to adopt by resolution the capital program prior to adoption of the budget.

Article V, Section 5.04(E)(4) requires Council to provide a special notification to Village residents of a hearing at which Council shall advise the Village residents of the scope and detail of any and all capital projects in excess of \$250,000. The purchase of real estate is exempt from the hearing.

Article VI, Section 6.05(A) requires the Finance Director to assist the Village Manager in the preparation and submission of appropriation measures, estimates, budgets, and other financial reports.

Article VI, Section 6.05(B) requires the Finance Director to prepare annual financial and other reports required by law and shall make periodic reports concerning appropriations, encumbrances and expenditures of the departments, divisions, boards and commissions as may be required by Council or requested by the Village Manager.

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Report on Accounting Methods

Budgetary System

(Continued)

Article X, Section 10.01 states that the laws of the State of Ohio relating generally to budgets, appropriations, debts, bonds, assessments, and other fiscal matters of the Village shall be applicable to the Village.

Methods Used by the Village

The tax budget is prepared by the Village Manager and the Finance Director. It is based on prior year actual receipts and expenditures, current year actual and estimated receipts and expenditures, and estimates for the next year based on information available at the time of preparation. Non-recurring items are considered in the calculation.

The tax budget is adopted by Council prior to submitting it to the County Budget Commission. The tax budget is adopted by Council before July 15. The Budget Commission then returns to the Village an Official Certificate of Estimated Resources.

Council adopts a resolution before October 1, accepting the amounts and rates as determined by the Warren County Budget Commission and authorizing the necessary tax levies to be collected in the next year. The Finance Director certifies the resolution to the Warren County Auditor by October 1.

Shortly after January 1, the Finance Director submits the Certificate of the Total Amount from All Sources Available for Expenditures and Balances, which includes the year-end actual balances, to the County Budget Commission who issues an amended certificate of estimated resources.

When the Finance Director becomes aware that actual revenues will be more or less than estimated, she requests a new Amended Certificate from the Warren County Auditor. During 2008, there were three amended certificates requested and received from the Warren County Auditor.

Before the start of 2009, the Village Manager and Finance Director prepared the permanent appropriations ordinance and submitted it to Council for discussion. Council approved the permanent appropriations ordinance for 2009 on December 15, 2008.

The Village Manager and Finance Director review reports presenting appropriations, encumbrances and the amounts available for spending. When there is a need, an amendment to the appropriation ordinance is submitted to Council for approval. For 2008, four appropriation amendments were approved by Council.

During 2008, the Warren County Auditor issued one Certificate of the Warren County Auditor That the Total Appropriations from Each Fund Do Not Exceed the Official Estimate of Resources. This certificate was not issued by the County Auditor for the appropriations ordinance or for some of the amendments to the appropriations ordinance. The Finance Director checks to make sure that appropriations do not exceed estimated resources. However, some funds have deficit fund balances which cause appropriations to exceed estimated resources. The Certificate of the Warren County Auditor That the Total Appropriations from Each Fund Do Not Exceed the Official Estimate of Resources stated that appropriations did not exceed estimated resources except in the Street Maintenance and Repair and the Police Special Revenue Funds.

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Budgetary System

(Continued)

Council reviews a report which presents the fund balances at its monthly Council meeting, along with a list of all checks and electronic fund transfers issued. Council also reviews reports comparing estimated revenue and appropriations to actual receipts and expenditures.

If needed, the Finance Director requests a final amended certificate and Council approves a final amendment to the appropriations before year-end.

The Village Charter requires the Village Manager to develop a capital improvement plan according to the requirements outlined in the Village Charter and submit it to Council prior to the adoption of the annual budget. According to the Village Charter, the capital improvement plan should include the following:

- A. A clear, general summary of its contents,
- B. A list of all capital improvements which are proposed to be undertaken during the five fiscal years next ensuing, with appropriate supporting information as to the necessity for such improvements,
- C. The cost estimates, methods of financing and recommended time schedules for each improvement, and
- D. The estimated annual cost of operating and maintaining the facilities to be constructed or acquired.

Auditor of State Comments

- No appropriation measure is effective until the Warren County Auditor files a certificate that the total appropriations from each fund do not exceed the total official or amended official certificate of estimated resources. The Village should ensure that this certificate is received from the Warren County Auditor in a timely manner so that obligations are not authorized against appropriations before they actually go into effect.
- During 2008, the Village had deficit fund balances contrary to Section 5705.10, Revised Code. The Finance Director should review the available fund balance in addition to the appropriations to ensure sufficient cash will exist in the fund when the obligation comes due.
- Appropriations exceeded estimated resources in the Street Maintenance and Repair and the Police Special Revenue Funds contrary to Section 5705.39, Revised Code. The Finance Director should compare appropriations to estimated resources to determine if an appropriation request will be within estimated resources.
- The Village Manager did not prepare a capital improvement plan for 2008 that fulfills the requirements set forth in the Village Charter. The Village Manager should prepare a capital improvement plan according to the requirements outlined in the Village Charter and submit it to Council prior to the adoption of the annual budget.

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Chart of Fund and Account Codes

Description of an Effective Chart of Fund and Account Codes

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

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

Statutory Requirements

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

Methods Used by the Village

The Village uses an alphanumeric chart of accounts copied from the Auditor of State's Village Officer's Handbook with an accounting system developed by Software Solutions, Incorporated (SSI). The chart of accounts classifies revenues by one letter and a two-digit number identifying the fund followed by the number zero and a letter identifying the department activity code and a five-digit number identifying the revenue source. Expenditures are classified by the same fund numbers followed by a number, other than zero, and a letter identifying the department activity code and a five-digit number identifying the object code for expenditures. The account codes have been entered manually into the SSI system. All funds have been entered into the accounting system.

Auditor of State Comments

None.

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Accounting Journal and Ledgers

Description of Effective Accounting Ledgers

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

Administrative Code Requirements

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

Section 117-02-02(C)(1), Ohio Administrative Code, requires all local public offices to integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

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

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

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

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Report on Accounting Methods

Accounting Journal and Ledgers

(Continued)

Appropriations Ledger – The appropriations ledger is used to summarize appropriations, disbursements, and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the village, the check issued for the payment of the obligation, and necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the fiscal officer to keep the village’s disbursements and encumbrances within the amounts appropriated by council. The unencumbered appropriation balance provides information on the amount available for obligations. At the end of each month, month-to-date totals and year-to-date totals are to be recorded.

Methods Used by the Village

The Village uses a fund accounting package from Software Solutions, Incorporated (SSI). The software integrates estimated receipts and appropriations by fund and account. SSI allows for the accumulation and aggregation of budget and actual information. Detailed receipt, expenditure and encumbrance information is accumulated by fund, revenue sources, and expenditure programs, departments, and object codes. The software provides month and year-to-date information and detailed or summary information for receipts and expenditures. SSI also provides software for income tax operations and bank and treasury functions.

The Finance Director posts transactions once a week. All documentation from each transaction is filed in a folder, by month, in the Finance Director’s office. Receipts and expenditures are filed separately by date in the same folder.

The Village has one large server that backs up all of the computer systems. The server is located in the Village building. The Finance Director or the Utilities Billing Supervisor backs up the server on a USB drive once a month and stores it at the person’s home who backed up the system. The Mayor’s Court Clerk also backs up the Mayor’s Court’s system with a flash drive about once a week, which is kept on her key chain that she takes home with her. The Village does not have a written policy addressing how and when the accounting systems should be backed up.

Auditor of State Comments

- The Village should develop, adopt, and implement a written policy that identifies the process and frequency by which the computer systems utilized by the Village should be backed up.

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Receipt Transactions

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

Section 9.38, Revised Code, provides that a person who is a public official, employee, or an 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 received exceeds \$1,000. If the total amount of the public monies so received does not exceed \$1,000, 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 a 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, 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 money 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 money received, from whom and for what purposes received, and when 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 to 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.

Village of Waynesville – Warren County

Report on Accounting Methods

Receipt Transactions

(Continued)

Charter Requirements

Article III, Section 3.14 states that the Clerk of Courts shall attend all Mayor's Court proceedings and maintain a ledger of all offenses and violations within the Municipality. The Clerk shall account for all monies received from bonds, fines, or cases. The Clerk shall dispense all monies to the proper governmental agencies with the proper paperwork. The Clerk should be bonded.

Methods Used by the Village

Finance Director's Office

The Finance Director is bonded. All other employees are covered under the Village's general liability insurance. The Finance Director is generally responsible for receiving, recording, and depositing all monies of the Village not pertaining to utilities and the Mayor's Court.

When a payment is received in person or by mail, the Finance Director writes a receipt from the pre-numbered, three-part receipt book for the transaction. The white (original) copy is filed with the receipt documentation. The yellow copy is stapled to the deposit ticket book with the corresponding deposit ticket. The pink copy remains in the receipt book in numerical order.

When a payment is received electronically, such as interest earned on a bank account or electronic fund transfers, the Finance Director does not write a receipt using the three-part receipt book. The Finance Director writes the receipt journal number that is generated by the accounting system on the receipt documentation once the information is entered into the accounting system. All receipts are posted to the Village's accounting system. The Finance Director also date stamps receipts to show the date received.

The Finance Director writes a deposit ticket for each receipt that is deposited into the bank and attaches a copy with the receipt documentation. The Finance Director deposits receipts by the next business day after they are received. Deposits that are kept overnight are stored in a locked fireproof safe in the Finance Director's Office. The Finance Director and the Utilities Billing Supervisor are the only employees who have the combination to the safe.

The Finance Director files all receipt documentation in a folder, along with expenditure documentation, by month. Receipts are filed by receipt number in one section of the folder and the expenditure documentation is filed by check number or electronic funds transfer number.

Utilities Department

The Village provides water and sewer services to Village residents. Trash services are provided by Rumpke and billed through the Village. Sewer and trash services are provided only to residents of the Village. Water service is provided to residents of the Village, along with portions of Wayne Township.

Water and sewer rates are established by ordinance and are based on whether the customer lives within the Village or in Wayne Township. The software the Village uses for billing applies water and sewer rates according to the ordinance. The Utilities Billing Supervisor enters the rates into the billing system when changes are approved by Council.

Village of Waynesville – Warren County

Report on Accounting Methods

Receipt Transactions

(Continued)

The Village has two employees who read the water meters. The water meters are read once a month and the readings are entered into a handheld computer by the reader and then transferred into the Village's software system from the handheld computer by the Utilities Billing Supervisor. The Village runs a high/low usage report which shows any fluctuation in customers' water usage. Large fluctuations are investigated for accuracy. If deemed appropriate, the meters are read again and any necessary changes are made by the Utilities Billing Supervisor and noted on the high/low usage report. If the meters are determined to be inaccurate, they are replaced.

Once all errors are corrected and the amounts charged are deemed accurate, the water, sewer and trash bills are generated in trial mode. The Utilities Billing Supervisor reviews the trial printouts for unusually high amounts. If amounts charged are reasonable, then actual bills are generated and mailed to the customers. The bills reflect previous payments, past due amounts, and current consumption charges. All bills are sent out on the 1st of every month and are due on the 16th of every month. If there are issues with customers' accounts after bills are sent, the Utilities Billing Supervisor enters the corrections and an adjustment journal report is printed at the end of the billing cycle.

The majority of payments are received in the mail by the Utilities Billing Supervisor who submits a summary of receipts to the Finance Director on a daily basis. Payments can be made in person at the Municipal Offices and at the Waynesville branch of Lebanon Citizens National Bank. Customers also have the option of having the payment automatically withdrawn from their bank account. The customers who choose this option provide their bank account information to the Village and the Utilities Billing Supervisor provides the information to the Lebanon Citizens National Bank. Utility bills for these customers' accounts are sent to Lebanon Citizens National Bank each month and the bank withdraws the payment through electronic funds transfers from the customers' bank accounts.

All utility receipts are entered into a computer system called the Central Cash file. The Utilities Billing Supervisor processes all receipts and runs a Central Cash Report by Batch and Trial Transfer of Central Cash and Miscellaneous Receipts Report each day. The Finance Director transfers the Central Cash file daily and once a week she posts the receipt information to the accounting system. At the end of the month, the Finance Director reconciles the daily Central Cash Reports to the bank statements. Currently, the Utilities Billing Supervisor does not perform a reconciliation of billings and collections to accounts receivable for each monthly billing cycle.

Deposit slips are given to the Finance Director after a deposit has been made. Deposits for the Utilities Department are usually made daily by the Utilities Billing Supervisor, Finance Director, or Mayor's Court Clerk. However, there were some receipts that were not deposited timely from the Utilities Department.

If the bills are not paid by the due date, the Utility Billing Supervisor adds a 10 percent late charge to the bill. Past due letters are sent at 30, 60, and 90 days after the original billing date. Shut-off notices are sent one week after the original due date if the balance is over fifty dollars.

Village of Waynesville – Warren County

Report on Accounting Methods

Receipt Transactions

(Continued)

Bad debts usually arise from customers who have moved and have not paid the final bill. If an account is still delinquent after past due letters are sent at 30, 60, and 90 days, a fourth letter is sent. This letter informs the customer if the account is not paid, the past due balance will be certified to the County Auditor. If the past due balance is not paid within the next thirty days, the Utilities Billing Supervisor sends a letter to the County Auditor certifying the past due balance and the amount is included on the customer's tax bill as a special assessment. Once the delinquent amount is certified to the County Auditor, it is removed from the outstanding utilities balance.

Mayor's Court

The Mayor's Court has a separate checking account that is maintained by the Mayor's Court Clerk. The Mayor's Court has a written policy regarding the handling of money that was adopted in 1998; however, the policy is not followed in its entirety.

Books containing tickets in numerical order are issued to officers and the sequence range of the numbers of the books assigned to each officer is entered into the Law Records Maintenance System. The tickets have five-parts. The original and the white and yellow copies go to the Mayor's Court Clerk. The yellow copy is a spare copy that is kept in the case file with the white copy. The officer may choose to keep the pink copy but usually it is given to the Mayor's Court Clerk with the original ticket. The defendant receives the blue copy of the ticket. All tickets issued are entered into the Law Records Maintenance System but voided tickets are not tracked in the system.

When the Mayor's Court Clerk receives the copies of the tickets, usually within one day of receiving them, she stamps them with the date and time using the payroll clock. The payroll clock does not stamp the year, so the Clerk writes it in by hand. She then enters the information from the ticket into the Mayor's Court computer system. The computer generates the case number and the clerk prints out the case number and other relevant information from the case such as the defendant's name, offense, date of offense, and original court date onto a folder, which is called the case jacket. The white and yellow copies of the ticket, along with any documentation for the case such as police reports are put into the case jacket. The Clerk then enters all of the information from the case into the Law Records Maintenance System through the internet, via the Warren County Public Safety Network. The Clerk then enters the information into a spreadsheet that is sent to Warren County for various background checks. The case jackets are filed by the court date and in alphabetical order, where they are stored until the court date. After a case is closed, the case jackets are filed by the type of offense: CRB (criminal), OTH (other, mainly parking), and TRD/TRC (traffic). The Clerk keeps two years' worth of closed cases (separate from the open cases) in her filing cabinet, located within her office. Older files are stored in the Village's records room.

The Mayor's Court uses three-part receipts. The white (top) copy is given to the individual making a payment. The yellow (middle) copy is attached to the payment until the payment is deposited. The pink (bottom) copy is left in the receipt book, which is bound. After the payment is deposited, the yellow copies are filed together by deposit date.

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

Village of Waynesville – Warren County

Report on Accounting Methods

Receipt Transactions

(Continued)

When an individual makes a payment in person, the Clerk writes a receipt for them, giving them the white (original) copy. If the Clerk receives a payment through the mail, she files the white copy in the case jacket and attaches the yellow copy to the payment. The payment is stored in a locked cash box inside the Clerk's office until it is deposited to the bank, which is usually done within two to three days. The Clerk, Sergeant, Police Chief, and Utilities Clerk all know where the key is to the locked cash box, which is located within the Clerk's office. Payments received by individuals, other than the Court Clerk, are placed in the Clerk's office until the Clerk can put them in the cash box.

The Clerk keeps a separate file of the cases that are on a payment plan. She also keeps a box of index cards for each case that is updated when a payment is received. She keeps a running balance on the index cards until the fines/fees are paid in full. When paid in full, the index cards are filed in the case jacket with all other case information.

The Clerk keeps a file of outstanding cases where the individuals failed to appear in court or pay the required fines/fees. When this happens, the Magistrate issues a bench warrant for the individual. In cases in which the individual does not show up for court, only the fine imposed for failure to appear in court are assessed, while nothing is imposed regarding the alleged crime committed. The procedures followed by the Village in order to recover these fines/fees are for the court to issue a bench warrant for the individual's arrest, a warrant block to keep the individual from applying for vehicle registration or a driver's license, and the Clerk mails requests for payment. The Village does not contract with any collection agencies.

The Clerk is the main person that accepts payments; however, during the times she is unavailable, other employees also accept payments for the court. These employees include the Utilities Billing Supervisor, the Chief of Police, and various officers.

When the Clerk receives a payment directly, it is stored in a locked cash box in the Clerk's office until it is deposited. The Clerk leaves the receipt book outside of her office so that officers can take payments after office hours. In the event that one of the officers takes a payment, they put it in an envelope and either slide it under the door or through the window onto the clerk's desk. The Sergeant will put money he collects in the cash drawer.

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

There is no managerial oversight for any financial work that the Clerk does.

Village of Waynesville – Warren County

Report on Accounting Methods

Receipt Transactions

(Continued)

Auditor of State Comments

Finance Director's Office

- Although the Finance Director posts all receipts, she does not write a pay-in order for every transaction posted to the accounting system. The Finance Director should write a pay-in order for every receipt transaction posted to the accounting system which contains account codes and amounts posted.

Utilities Department

- The Utilities Billing Supervisor has the sole responsibility of creating and mailing out bills to customers each month, collecting payments, and dealing with delinquencies. The Utilities Billing Supervisor should perform a reconciliation of billings and collections to accounts receivable for each monthly billing cycle and the Finance Director should review and sign it. This reconciliation documents all transactions, including adjustments posted to the system.
- The Utilities Billing Supervisor makes adjustments to customers' bills and posts all adjustments to the billing software. There is also no oversight for the adjustments. The Village Manager or Finance Director should approve all adjustments before they are posted to the system.
- Receipts are not always deposited within 24 hours as required by the Ohio Revised Code. The Utilities Billing Supervisor should deposit Village receipts within 24 hours of collection, unless a policy is adopted by Council to allow the Village to hold the money for up to three business days after collection for the daily receipts that are under \$1,000.

Mayor's Court

- Currently, no one reviews and approves work performed by the Mayor's Court Clerk. The Village Law Director should review the Village Charter and sections of the Ohio Revised Code pertaining to the Mayor's Court and provide a legal opinion as to who is the person responsible for managerial oversight of the Mayor's Court. The person determined to be responsible for oversight of the Mayor's Court should review and approve the Mayor's Court Clerk's work.
- The Mayor's Court does not have a policy authorizing payment plans for fines. The person responsible for oversight of the Mayor's Court should develop, adopt, and implement a policy that authorizes payment plans for the Mayor's Court.
- When a ticket book is issued to a police officer, the police officer responsible for entering the information into the Law Records Maintenance System and issuing ticket books to the police officers should print the report from the system listing the tickets issued by the officer from the ticket book he or she just completed. The report should be checked to see that all tickets that have been issued have either been processed in the court or have been voided. The report should be signed by the officer checking the disposition of the tickets.

Village of Waynesville – Warren County

Report on Accounting Methods

- The Mayor's Court does not have a policy for collecting delinquent fines. The person responsible for oversight of the Mayor's Court should develop, adopt, and implement a policy regarding the collection process of delinquencies in the Mayor's Court.
- Receipts are not always deposited within 24 hours as required by the Ohio Revised Code. The Mayor's Court Clerk should deposit village receipts within 24 hours of collection, unless a policy is adopted by Council to allow the Mayor's Court Clerk to hold the money for up to three business days after collection for the daily receipts that are under \$1,000.

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

Statutory Requirements

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

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

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

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

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

Village of Waynesville – Warren 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 30 days from the receipt of such certificate to approve payment by resolution. If approval is not made within 30 days, there is no legal liability on the part of the village.

Authority to Contract - Contracts are approved by the council and executed in the name of the village by the mayor and the fiscal officer, except as otherwise specified by statute.

Bidding - All contracts for expenditures in excess of \$25,000 shall be authorized by council and entered into in writing with the lowest and best bidder. Revised Code Section 731.14 requires that bids be opened and publicly read by the clerk at the time, date, and place specified in the advertisement for bids. If the position of village administrator has been created, Revised Code Section 731.141 requires that bids be opened and publicly read by the village administrator for departments under the administrator's supervision at the time, date, and place specified in the advertisement for bids.

Exceptions to the bidding requirements include contracts for:

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

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

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

Village of Waynesville – Warren County

Report on Accounting Methods

Purchasing Process

(Continued)

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

Delinquent Personal Property Taxes - Section 5719.042, 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 district's 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 30 days of the date it is submitted.

Campaign Financing (HB 694) - Section 3517.13, Revised Code, states that any bid or unbid contract, purchase order or collective bargaining agreement with a value of more than \$10,000 requires the vendors 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.”

Charter Requirements

Article V, Section 5.04(J) and (J)(1) states that the Village Manager shall be the contracting officer of the Municipality and shall award and execute contracts and agreements on behalf of the Municipality. Council authorizes the Village Manager to act as purchasing agent for the Village to award and execute contracts not in excess of bidding requirements. When an expenditure or contract exceeds the amount specified by the laws of Ohio for which work may be accomplished after advertisement and bidding, the Village Manager shall be authorized to advertise and seek bids by motion of Council. The advertisement shall be once a week for two weeks but not more than four consecutive weeks in a newspaper of circulation in the Village. Following the receipt of bids and when authorized and directed by ordinance or resolution passed by Council, the Village Manager shall make a written contract with the lowest and best bidder.

Article V, Section 5.04(J)(4) allows the Village Manager to designate an administrative officer or employee of the Municipality to act as purchasing agent to award and execute contracts, orders, or agreements on behalf of the Municipality, when such contracts, orders, or agreements do not authorize an expenditure of money in excess of the amount as designated by Council.

Village of Waynesville – Warren County

Report on Accounting Methods

Purchasing Process

(Continued)

Methods Used by the Village

The Village has a purchasing policy in place that has been approved by Council. The policy states that the Village Manager is responsible for approving purchases and the Finance Director is responsible for certifying the availability of funds for a proposed purchase. For contracts subject to the bidding process, prior approval of Council is necessary.

The Finance Director created a document entitled “Procedures for Purchase Order Approval” which conforms to the purchasing policy adopted by Council and outlines the details of how employees are to request and obtain approval for purchases. This document is posted on the bulletin board for all employees to reference when requesting purchases. When an employee of the Village wants to make a purchase, he or she completes a form which is entitled “Purchase Order Form”, which serves as a purchase requisition form, and has a space for a purchase order number to be written in by hand. The form has the vendor name, address and phone number, the quantity, description of the item, price and whether there is a W9 form on file for the vendor from whom the purchase is being made. It is signed by the person (usually a department head) making the request. The Purchase Order Form is then presented to the Village Manager who determines whether it is a proper public expenditure. He signs the form to document his approval of the purchase.

The approved Purchase Order Form form is then given to the Finance Director who determines if there are sufficient funds available for the purchase. If so, a purchase order is generated by the accounting system that has the vendor’s name and number, date of request, description of item being purchased, quantity, price and account number(s). The Finance Director signs the purchase order to certify that sufficient funds are available for the purchase. The number of the purchase order generated by the system is written on the Purchase Order Form.

Purchase orders are used for most purchases but there are instances in which purchase orders are not issued before purchases are made. Blanket purchase orders are used for some recurring purchases such as utilities. However, Council has not passed a resolution that limits the amount for which a blanket purchase order can be issued as required by the Ohio Revised Code. In some instances in which a purchase is made without a purchase order being issued first, the Finance Director issues a then and now certificate certifying that funds were available at the time of the purchase and are currently available to pay the obligation. If the amount is over \$3,000, the Finance Director presents the then and now certificate to Council for approval as required by the Ohio Revised Code.

Several vendors for utility services are paid by electronic funds transfers. Purchase orders, usually blanket purchase orders, are issued for these expenditures.

The Village has two credit cards. The Village Manager and Finance Director maintain control over the credit cards. Any employee may use the cards provided there is a purchase order in place to cover the purchase.

The purchasing policy does not reflect the most recent legislation passed by Council. Ordinance 2007-027 gives the Village Manager authority to approve all purchases that are not subject to the bidding process. The purchasing policy limits the amount of purchases that the Village Manager can approve to \$15,000, which is less than the amount authorized by the Ohio Revised Code.

Village of Waynesville – Warren County

Report on Accounting Methods

Purchasing Process

(Continued)

The accounting system contains old purchase orders that are no longer valid. When an outstanding purchase order report is generated, these invalid purchase orders are listed on the report.

Auditor of State Comments

- Council has not passed a resolution setting the amount of blanket purchase orders as required by Section 5705.41(D) of the Ohio Revised Code. Blanket purchase orders used without Council having set a limit are not valid because the Village does not have the authority to use blanket purchase orders. Council should establish, by resolution, the maximum amount for blanket purchase orders to be issued by the Finance Director.
- The purchasing policy authorizes the Village Manager to approve purchases up to \$15,000 without Council approval. Ordinance 2007-027 authorizes the Village Manager to approve purchases up to \$25,000 without Council approval. Therefore, Council should revise the Village's purchasing policy to reflect the latest legislation regarding the Village Manger's authority to approve purchases.
- The Village does not use purchase requisitions for some purchases such as utilities. Council should update the purchasing policy to indicate which types of expenditures that requisition forms will be used.
- There are instances in which purchase orders are issued after obligations are incurred. Although then and now certificates are sometimes used in these instances, they are not always issued for purchases that were not authorized and encumbered at the time the obligation was incurred. The Finance Director should ensure that a proper certification exists for all purchase obligations.
- The Village does not have a policy establishing guidelines for credit card usage. The Village should develop a policy for credit card usage. The policy should, at a minimum, identify authorized users, allowable purchases, reporting of transactions made, and monitoring of the use by appropriate levels of management.

Village of Waynesville – Warren County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

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

Statutory requirements

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

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

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

Certification - If no certificate of the fiscal officer is furnished as required, upon receipt by the council of a certificate of the fiscal officer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the council may authorize the drawing of a check in payment of amounts due upon such contract, but such ordinance shall be passed within 30 days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the fiscal officer may authorize it to be paid without such affirmation of the council, if such disbursement is otherwise valid.

Payment - No warrant for the payment of any claim shall be issued by the fiscal officer until such claim is approved by the head of the department for which the indebtedness was incurred. Each head of a department and his surety shall be liable to the municipal corporation for all loss or damage sustained by such municipal corporation by reason of the negligence or corrupt approval of any claim against the municipal corporation in his department. Whenever any claim is presented to the fiscal officer he may require evidence that the amount claimed is justly due and is in conformity to law and ordinance, and, for that purpose, he may summon before him any officer, agent, employee of any department of the municipal corporation, or any other person, and examine him upon oath or affirmation relative thereto.

Village of Waynesville – Warren County

Report on Accounting Methods

Cash Disbursements

(Continued)

Administrative Code Requirement

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

Methods Used by the Village

When goods arrive, the items received are compared to the packing slip. The packing slip is compared to the purchase order to verify that the items ordered were actually received and that the quantity received was correct.

If the vendor sends the invoice directly to the Finance Director, she will send the invoice to the person who initiated the purchase order for him or her to compare the invoice to the purchase order. This is to verify that the invoice reflects the goods or services that were ordered and received and that the costs indicated on the invoice are correct. The person comparing the invoice to the purchase order will write “okay to pay” by hand on the invoice and return it to the Finance Director to be paid.

Sometimes, the invoice comes directly to the department head who initiated the order. In this case, the department head compares the invoice to the purchase order and writes “okay to pay” on it. The invoice is then sent to the Finance Director to be paid.

The Finance Director puts unpaid invoices in a “to be paid” file according to the due date. Once a week, usually on Mondays, the Finance Director pulls the invoices from the “to be paid” file that are to be paid that week. She enters the information from the invoices into the accounting system and then prints an invoice status report. She compares the report to the invoices and purchase orders to ensure that amounts, dates and vendor information have been entered correctly. She then posts the expenditures to the accounting system and prints an expenditure journal report. The expenditure journal report is compared to the invoice status report to ensure that amounts posted correctly. Checks are then printed and a check register report is generated. The check register report is compared to the invoice status report to ensure that checks are in the correct amounts. The Finance Director is responsible for the approval of purchase orders, processing of invoices and the assembly of the voucher packets.

After the invoices are paid, they are attached to a copy of the check along with the purchase requisition, purchase order and any other documentation to support the transaction. Paid vouchers are filed in a folder by month either by check number or by transaction date if paid electronically.

Village of Waynesville – Warren County

Report on Accounting Methods

Cash Disbursements

(Continued)

Some obligations such as telephone bills and health insurance payments are paid by electronic funds transfers. The Finance Director provides billing information to the bank via the internet and funds are transferred to the vendors' banks. A confirmation of payment is sent to the Finance Director from the bank. This confirmation is attached to the invoice along with any other documentation supporting the transaction. The electronic funds transfer payment confirmations are compared to the bank statement as part of the monthly reconciliation process to determine if all electronic funds transfers are accurately reflected on the bank statement and in the accounting system.

Electronic funds transfers are assigned a transaction number consisting of the month, day, and sequential number of the electronic funds transfer for the month with the word "debit" preceding the numerical portion of the transaction number. This number is written on the invoice by hand and used in the accounting system to identify the transaction.

After an employee makes a purchase using a Village credit card, he or she is required to return the card to either the Finance Director or the Village Manager along with the sales receipt as documentation for the purchase. Each month, the Finance Director reconciles the sales receipts to the statement from the credit card company.

Blank checks are kept in a locked cabinet in the Finance Director's office. The office is locked when she is not in it.

There are four employees who have authority to sign checks written against the general checking account: the Finance Director, Utility Billing Supervisor, Mayor's Court Clerk and one Council member. Checks require two signatures and one of the signatures must be the Finance Director.

Auditor of State Comments

- Disbursements are made from funds without a cash balance sufficient to cover the amount of the obligation. Ohio Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purpose for which such fund has been established. As a result, a negative balance indicates that money from one fund was used to cover the expenses of another fund. The Village should only make disbursements from funds which have adequate cash balances to cover the obligation, or advances should be made.
- The Finance Director is responsible for the approval of purchase orders, the processing of invoices, the assembly of voucher packets, and the preparation and signing of the checks. Until clerical staff is available to help with the payment of invoices, the Village Manager should review vouchers to ensure they are complete and that the check agrees with the voucher. He should indicate his approval by signing the voucher.

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

Methods Used by the Village

Pay rates for Village employees and frequency of payment are established by Council. The salary of the Village Manger, Finance Director, and Law Director are established by their employment contracts which are approved by ordinance of Council.

Hourly employees are required to use a time clock and submit a time card with their hours worked to the Village Manager. He reviews the time cards and approves them. The Police Chief reviews and approves the timesheets for the police officers. When an employee requests leave, he or she fills out a leave request form and submits it to the Village Manager who is responsible for the approval of leave. He signs it to indicate his approval. The Village Manager submits the form to the Finance Director with the timesheets.

Village of Waynesville – Warren County

Report on Accounting Methods

Payroll Processing

(Continued)

The public works and streets departments' employees maintain a log of duties performed and the time spent on them. This log is used to allocate the payroll expenditures for these employees to the proper funds. It is submitted to the Village Manager for approval with their time cards.

The Village uses a payroll processing company (Paycor). Paycor provides a computer program for the Village to use to submit payroll data. Employees and their approved rates are carried from pay period to pay period, but can be manually changed by the Finance Director. The Finance Director manually enters hours worked for each employee into the program, as well as deductions that aren't automatically calculated (i.e., health insurance). When all information is entered the data is electronically submitted to Paycor for processing.

The Village uses a payroll clearing bank account. Each pay period, the amount of the gross payroll is transferred from the general checking account to the payroll clearing account. The money is then transferred from the payroll clearing account to Paycor which then pays the employees.

All employees are required to be paid by electronic funds transfer from PAYCOR to their personal bank accounts. Paycor has a bank account from which the employees' payroll amounts are sent by electronic funds transfer into the employees' bank accounts. PAYCOR submits checks to the various agencies for federal, State, and local tax withholdings. Child support that is withheld from employee's checks is submitted by Paycor to the Child Support Enforcement Agency.

The Village pays the employer's and employees' share of Ohio Public Employees Retirement System and Police and Fire Pension payments with direct debits from the general checking account. The deferred compensation is transferred from the main bank account to the payroll account. A payment is submitted online from the payroll bank account to the Ohio Business Gateway.

After the payroll is processed, a payroll packet is available online which the Finance Director downloads and prints. The packet includes a direct deposit list which includes all of the employees and the direct deposits made to their bank accounts. The reports in the packet include a New Hire Report, Payroll Journal, General Ledger, Organizational Summary, Benefits Notification Report, Labor Distribution Report, and Input Worksheet. Gross pay, including the employer's share of Medicare taxes, is manually entered into the Village's accounting system. The employer's share and the employees' share of payments to the Ohio Public Employees Retirement System and Police and Fire Pension are manually entered into the accounting system and identified as electronic funds transfers.

Auditor of State Comments

None.

Village of Waynesville – Warren 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 of debt should be identified in the ordinance as well as the purpose of the debt, the maturity, interest rate, and the source of revenue to be used for repayment. Debt proceeds should be receipted into 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 ensure the timely payment of both principal and interest.

Statutory Requirements

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

Methods Used by the Village

The Finance Director pays the OWDA loans through electronic funds transfers. All other debt payments are made by check.

The Village's debt is described below:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Issue Amount</u>	<u>Outstanding Balance as of 8/31/2009</u>	<u>Maturity Date</u>
<u>Loans Payable</u>					
Ohio Water Development Authority Loan 3984	5.01%	10/30/2003	\$198,869	\$173,433	1/1/2029
Ohio Water Development Authority Loan 2566	2.50%	5/27/1999	3,883,029	2,371,267	7/1/2020
Ohio Water Development Authority Loan 3235	6.41%	1/27/2000	466,117	373,374	7/1/2025
Ohio Public Works Commission Loan	0.00%	3/23/2000	433,600	227,640	1/1/2020
<u>Notes Payable</u>					
Land Acquisition Notes	3.75%	12/12/2008	352,000	352,000	12/11/2009
Police Levy Notes	3.50%	9/3/2004	75,000	15,000	9/1/2009
<u>Bonds Payable</u>					
Government Center Bonds	5.30%	7/18/2002	1,248,000	1,217,000	1/1/2032
<u>Leases</u>					
Copier Lease	N/A	12/31/2007	19,819	11,576	12/31/2011

Village of Waynesville – Warren County

Report on Accounting Methods

Debt Administration

(Continued)

The revenues pledged for repayment of debt are as follows:

<u>Debt Issue</u>	<u>Pledged Revenues</u>
<u>Loans Payable</u>	
Ohio Water Development Authority Loan 3984	Sewer Operations
Ohio Water Development Authority Loan 2566	Sewer Operations
Ohio Water Development Authority Loan 3235	Water Operations
Ohio Public Works Commission Loan	Sewer Operations
<u>Notes Payable</u>	
Land Acquisition Notes	General
Police Levy Notes	Police Levy Tax
<u>Bonds Payable</u>	
Government Center Bonds	General
<u>Leases</u>	
Copier Lease	General

Auditor of State Comments

None.

Village of Waynesville – Warren County

Report on Accounting Methods

Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets

Capital assets of the Village should be adequately safeguarded against loss or theft. The village should have a policy that defines capital assets, establishes capitalization thresholds and useful lives, methods to be used in tracking capital assets, and how to assign assets to programs. An inventory should be maintained for each item that includes its description, cost, serial and/or model number, location, date of purchase, fund purchased from, program used in, asset type, tag number, location, useful life and salvage value. 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 fiscal officer so that any proceeds from the disposal can be properly recorded, the asset can be removed from the capital assets listing, and insurance coverage can be discontinued.

Administrative Code Requirements

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

Auditor of State Comments

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

Village of Waynesville – Warren County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

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

A reconciliation between the bank and the 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:

Section 135.14(O)(1), 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), 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), 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 \$100,000 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 135.12, Revised Code, requires that the designation period for depositories be five years.

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

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

Village of Waynesville – Warren 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 laws of the State of Ohio relating generally to budgets, appropriations, debts, bonds, assessments and other fiscal matters of the Municipality shall be applicable to the Municipality, except as modified by or necessarily inconsistent with the provision of this Charter or ordinances of Council enacted pursuant thereto and except when provision therefore is made in the Constitution of the State of Ohio.

Methods used by the Village

The Village has a general checking account which is used to deposit monies it receives. The Finance Director reconciles the general checking account each month and files the reconciliation with the bank statement and any supporting documentation. The bank reconciliation is included with the reports that are delivered to Council each month.

The Village has a current depository agreement with the Lebanon Citizens National Bank. The agreement is in effect for the period August 22, 2006 to August 22, 2011. The Village also has an investment policy which was passed November 17, 1997; however, it was not signed by all of the financial institutions conducting investment business with the Village and it has not been filed with the Auditor of State.

The Village maintains investments in a money market fund with Merrill Lynch. The money market fund invests in securities authorized under Section 135.14, Revised Code, such as Federal Home Loan Bank bonds, Federal Farm Credit Bank bonds, and U.S. Treasury bills.

The Village has a payroll bank account which is used as a clearing account. Money is electronically transferred to the payroll account from the main checking account each pay period to pay payroll related expenditures. PAYCOR is authorized to electronically withdraw the money from the payroll bank account to distribute to the employees and various agencies. When payroll is processed and the money is transferred from the general checking account to the payroll account, PAYCOR usually withdraws the money on the following morning. The payroll bank account allows the Village to maintain control over the funds withdrawn by PAYCOR since the withdrawals are limited to the amount in the payroll bank account. The payroll account has not been reconciled for several years.

The Utilities Department has a change fund to make change when customers pay in cash. There is no resolution to authorize this change fund.

Village of Waynesville – Warren County

Report on Accounting Methods

Cash Management and Investing

(Continued)

Mayor's Court

The Mayor's Court has a written policy for the receiving, recording, and reporting of all receipts and disbursements by the Court. The policy includes guidelines for the bank reconciliation process. However, the policy is not being followed on several key points. Furthermore, the policy conflicts with the Village Charter regarding the process for the distribution of monies.

The Mayor's Court has a computerized system for maintaining its records. Month-end reports are generated that present the total monies received and disbursed for the month. After receiving the monthly bank statement, the Mayor's Court Clerk compares the bank balance to the total balance in the checkbook register and reconciles the amounts, taking outstanding checks into account. However, this amount is not reconciled to the balance presented in the computer generated reports of the monthly financial activity.

The Mayor's Court Clerk has a change fund to make change when customers pay in cash. There is no resolution to authorize this change fund.

Auditor of State Comments

- The investment policy was not signed by all parties conducting investment business with the Village. The investment policy should be signed by all parties with whom the Village conducts investment business as required by Section 135.14(O)(1), Revised Code, and should be filed with the Auditor of State.
- Funds to pay the payroll expenditures are transferred from the general checking account to the payroll account and then the same amount is transferred to PAYCOR to be distributed to the employees. The payroll bank account is carrying a large balance from excessive transfers. The Finance Director should move the remaining balance to the general checking account. The monies should be receipted into the funds from which they were paid.
- The Mayor's Court has a written policy for the receiving, recording, and reporting of all receipts and disbursements by the Court. However, the policy is not being followed on several key points. In addition, the Village Charter requires the Mayor's Court Clerk to distribute all monies to the proper government agencies contrary to the policy which says the Finance Director shall distribute the checks. The policy, Charter requirements, and the requirements in State statute covering the Mayor's Court and distribution of fines and costs should be reviewed with legal council and appropriate changes should be made to the policy and the Charter after the review.

Village of Waynesville – Warren County

Report on Accounting Methods

Cash Management and Investing

(Continued)

- A reconciliation of the Mayor's Court cashbook is performed monthly; however, it is not reconciled to zero. The Mayor's Court Clerk should identify all reconciling items between the cashbook balance and the bank statement balance on the monthly reconciliation. The person responsible for oversight of the Mayor's Court should review and approve the monthly bank reconciliation for Mayor's Court.
- The Mayor's Court Clerk and the Utilities Department have change funds. A formal authorization and resolution on the existence and use of the change funds should be approved by Council.

Village of Waynesville – Warren County

Report on Accounting Methods

Financial Reporting

Description of Effective Method of Financial Reporting

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

Statutory Requirements:

Section 117.38, Revised Code, requires that the annual financial report be filed with the Auditor of State within 60 days after the close of the fiscal year. At the time the report is filed with the Auditor of State, a notice should be published in the local paper that the report is completed and available at the office of the fiscal officer.

Section 733.45, 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 by him, the sources of such receipts, the disbursements made by him, 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 117-02-03(A)(2) requires that local public offices file their annual financial report either in paper form or electronically in a manner and format prescribed by the Auditor of State. Ohio Administrative Code Section 117-02-03(D) requires the reports to be filed on the forms provided by the Auditor of State.

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

Village of Waynesville – Warren County

Report on Accounting Methods

Financial Reporting

(Continued)

Method Used by the Village

The Village prepares its annual financial report on the cash basis of accounting. The Village prepares its financial statements according to the new preferred reporting model and fund type classifications. A notice is published in the newspaper upon filing the report with the Auditor of State indicating that the report is available for inspection in the Finance Director's office. The 2008 Annual Financial Report was filed with the Auditor of State's Office on February 19, 2009.

The Finance Director provides Council members with a monthly cash position report that indicates fund balances. Council is provided with receipts and disbursements reports that compare budgeted to actual financial information. Council is also provided with a list of checks written during the current month.

After year-end, the Finance Director provides Council with a Finance Summary report which summarizes the revenues and expenditures for the past several years. The report presents the fund balances of each fund for the year ended and the prior year. Major acquisitions for the year are discussed. In the report as of December 31, 2008, there is a discussion about the Village being placed in fiscal emergency. A table is included that presents the revenues and expenditures of the General Fund and the Street Maintenance and Repair and Police Levy Special Revenue Funds by month.

Auditor of State Comments:

- Council has not defined the type or frequency of the financial information to be reported to Council. Council should document the type and frequency of financial information to be reported to it. Council should acknowledge in the minutes the financial reports it receives from the Finance Director.

Village of Waynesville – Warren County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The Council's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind Council's decisions. An ordinance, resolution, or bylaw should be limited to one subject, which should be clearly expressed in its title. In the adoption or passage of an ordinance, resolution, or bylaw, the 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 Village.

Statutory Requirements

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

Sections 731.20 through 731.24, Revised Code, address the passage, style, number of subjects, authentication, and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Finance Director 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.

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

Charter Requirements

The Clerk of Council shall cause each ordinance and resolution adopted to be published by posting a copy of the ordinance or resolution in the place in the Municipality as determined by the Council, for a period of 15 days at the Municipal building and four other conspicuous places frequented by the public.

Village of Waynesville – Warren County

Report on Accounting Methods

Recording Official Proceedings

(Continued)

Method Used by the Village

The Finance Director serves as the Clerk of Council. The Finance Director takes hand-written notes of the proceedings of each Council meeting during the meeting. The Village records each Council meeting on video. After each meeting, the Clerk of Council types the minutes into a word processing document and presents them to Council at the next meeting to be approved. The minutes are signed by the Clerk of Council.

More recent minutes are stored in the Village's records room and older minutes are stored in a safe at the Village's Street Department, which is located outside of the government building. The Finance Director keeps the current year's minutes in a binder in her office. Copies of the minutes for the last three years are also kept on the Village's website, which is available to the public.

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

The Village publishes ordinances in accordance with the Village Charter. The Finance Director keeps ordinances and resolutions in her office in a binder by year. The binder includes an index of the ordinances and resolutions. Copies of the last three years of ordinances and resolutions are also kept on the Village's website, which is available to the public.

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

Auditor of State Comments

None.

Village of Waynesville – Warren County

Report on Accounting Methods

Conclusion

The methods as described by the Village and included in this report are based on our inquiries and discussions with Village personnel and the related procedures documented in State statutes and Chapter 117 of the Ohio Administrative Code.

It is our opinion and as is detailed throughout this report, that the current accounting system of the Village of Waynesville is inadequate to fulfill the financial reporting needs of the Village. In addition, the current accounting system is not in compliance with Section 117 of the Ohio Revised Code and the requirements of the Auditor of State as noted in this report.

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Mary Taylor, CPA
Auditor of State

VILLAGE OF WAYNESVILLE

WARREN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 6, 2010**