



Dave Yost • Auditor of State

**Village of Edgerton
Williams County**

Report on Accounting Methods

Local Government Services

Village of Edgerton - Williams County

Report on Accounting Methods

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Dave Yost • Auditor of State

CERTIFICATION

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

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

Dave Yost
Auditor of State

May 10, 2016

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Village of Edgerton - Williams County

Report on Accounting Methods

Purpose

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

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

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Village of Edgerton. 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 Edgerton - Williams County

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Governance Overview

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

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

The Mayor is the chief executive officer of the Village and serves a term of four years. The Mayor supervises the administration of the Village and is the President of Village Council. The Mayor makes recommendations to Village Council and has voting rights only in the case of a tie. In accordance with sections 735.271 - 735.273 of the Revised Code, the Village has established the position of a Village Administrator who is appointed by the Mayor subject to Village Council's approval. The Village Administrator is responsible for administering most operations of the Village including public utilities, streets, and other duties as set forth by ordinance of Village Council.

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

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

Services provided by the Village include street maintenance and repair, maintenance of state highways within the Village, police and fire protection, park operations, and water, sewer, electric, and stormwater operations.

On December 17, 2013, 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;
3. The President Pro Tempore of Village 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 principal place of professional or business activity is in the Village.

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Governance Overview

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

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

This Commission is required to adopt a financial recovery plan for the Village within one hundred twenty days of its first meeting. By State statute, the Village must operate within the provisions of the recovery plan.

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

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

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

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Governance Overview

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

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Budgetary System

Description of an Effective Budgetary System

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

Statutory Requirements

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

Tax Budget - The Mayor should prepare an annual tax budget of the estimated receipts and disbursements for all funds of the Village for the period of January 1 to December 31 of the following year. The budget must be filed in the Fiscal Officer's office for public inspection ten days prior to adoption by the Village Council. At least one public hearing must be held for discussion of the budget. Notice of such hearing requires at least one publication in the official publication of the village or in a newspaper having general circulation in the village at least ten days prior to the date of the hearing. Village Council is required to adopt the budget by July 15 and the budget must be submitted to the Williams County Budget Commission by July 20 of each year.

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

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

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

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Report on Accounting Methods

Budgetary System

(continued)

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

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

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

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

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

Administrative Code Requirements

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

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Budgetary System

(continued)

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

Methods Used by the Village

The Williams County Budget Commission has waived the requirement for all subdivisions to file a tax budget; however, requires subdivisions to submit any information it finds necessary for the Budget Commission to perform its duties under Chapter 5705 of the Revised Code. For 2016, the Budget Commission did not request any information be submitted.

The Budget Commission determines the financial needs and the corresponding tax rates to be charged on behalf of the Village. The Budget Commission then prepares and submits to the Village the Resolution Accepting Rates for Village Council's consideration. Village Council must accept or reject the rates outlined in the Resolution and file the Resolution with the Budget Commission by October 1. The rates for 2016 were approved by Village Council on September 21, 2015.

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

The Fiscal Officer prepares the permanent appropriation ordinance based on history, trends, and other known factors. Appropriations are established at the fund, program, activity, and object level of disbursements. Once approved, the appropriation ordinance is submitted to the Budget Commission and appropriations are recorded to the accounting system. The Budget Commission verifies that appropriations, by fund, do not exceed estimated resources and returns a certificate indicating that total appropriations from each fund do not exceed the estimated resources.

Auditor of State Comments

- The Village had deficit fund balances contrary to section 5705.10(I) of the Revised Code. The Village Fiscal Officer, as well as Council, must review the financial and budgetary activity monthly to ensure compliance with Ohio budgetary law. This review should be ongoing and documented.
- Section 5705.39 of the Revised Code requires that the total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure, as certified by the Budget Commission. The Fiscal Officer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Village Council upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.

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Report on Accounting Methods

Chart of Fund and Account Codes

Description of an Effective Chart of Fund and Account Codes

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

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

Statutory Requirements

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

Methods Used by the Village

The Village, by ordinance, establishes funds as outlined in the Revised Code. The Fiscal Officer assigns each fund a fund number that reflects its fund type classification and uses account codes that classify and summarize receipt and disbursement transactions according to management needs and annual reporting requirements. Account codes consist of up to nine alpha-numeric characters.

For receipt codes, the first character represents the fund type, the next two characters represent the fund number, and the last five numbers represent the receipt source (for example taxes, charges for services, intergovernmental revenues).

For disbursement codes, the first character represents the fund type, the next two characters represent the fund number, the next four characters represent the department and program (for example department: police, fire, park and program: security of persons and property, leisure time activities), and last five characters represent the object (for example salaries, fringe benefits, contractual services).

Auditor of State Comments

None

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Accounting Journals and Ledgers

Description of Effective Accounting Journals and Ledgers

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

Administrative Code Requirements

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

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

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

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

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

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Report on Accounting Methods

Accounting Journals and Ledgers

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

Methods Used by the Village

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

The Fiscal Officer prints various reports at month end to support the monthly activity. At any time, the Fiscal Officer is able to print detail and/or summary reports for any month requested.

At council meetings, the Fiscal Officer provides a Statement of Cash Position (includes by fund the beginning fund balance, month to date and year to date revenues and expenses, unexpended fund balance, encumbrances, and unencumbered fund balance), the Revenue Report (includes by fund and revenue account the estimated revenue amount, month to date and year to date receipts, the uncollected balance when compared to the estimated revenue, and the percent collected to date when compared to the estimated revenue), the Expense Report (includes by fund and expenditure account the amount appropriated, the month to date and year to date expenditures, the unexpended balance, the amount encumbered, the unencumbered balance, and the percent spent to date when compared to the amount appropriated), a copy of the bank reconciliation, and a listing of invoices to be paid.

Auditor of State Comments

None

Village of Edgerton - Williams County

Report on Accounting Methods

Receipt Transactions

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

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

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

Administrative Code Requirements

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

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Receipt Transactions

(continued)

Methods Used by the Village

Summary of General Receipts - General receipts are processed by the Fiscal Officer. Receipts are received over the counter, in the mail, and by direct deposit. Over the counter receipts are recorded in a receipt book; a copy is provided to the payer and a copy is retained in the receipt book. Receipts from the County are received by mail. Receipts from the State of Ohio are deposited directly into the Village's checking account. Interest is posted at the end of each month.

The Fiscal Officer prepares a deposit slip for general receipts, with the exception of direct deposits. Deposits are made daily. Receipts received by check are scanned through the Check 21 system. The bank prepares a Deposit Detail for Remote Deposit Report that is printed and attached to a deposit slip. All duplicate copies of deposit slips are retained in the deposit book. The scanned checks with a copy of the Deposit Detail for Remote Deposit Report is bound and held in the vault for three months. The scanned checks are then shredded by the Confidential Shredding Services Company.

The receipts are entered into the accounting software by the Fiscal Officer at least weekly. Data is entered from the source document accompanying the payment. A receipt report is generated and all supporting documentation is filed in a folder for each month.

For direct deposits, the Fiscal Officer reviews the bank account at least weekly to identify and confirm deposits received from the State of Ohio. The receipt is entered into the accounting software, printed, any supporting documentation attached, and is filed in a folder for each month.

Summary of Income Tax Receipts - The Village implemented a 1 percent income tax effective January 1, 1972. An additional .75 percent income tax was approved by the voters in November 2014 with collections beginning January 1, 2015. Village Council approved the tax rates by ordinance. Council ordinance also outlines the income tax allocation by fund. The current distribution is 80 percent to the General Fund and 20 percent to the Income Tax Capital Fund.

All Village residents eighteen and older are required to file an annual income tax return due by April 15 on all salaries, wages, commissions, and other compensation earned within the Village as well on the incomes of residents earned outside the Village. In the latter case, the Village allows a credit of 100 percent of the tax due to the Village for those taxes an individual pays to another municipality.

The Village has a mandatory income tax filing requirement for all residents and businesses. Residents who are retired are not required to file mandatory returns unless they are employed after retirement. The resident is responsible for notifying the Village of employment.

A Form W2 is required to be filed with the Village from all companies located within the corporation limits of the Village, along with an annual reconciliation. If there is a variance between the annual reconciliation provided and the withholding amounts submitted and recorded by the Village, the company is notified to contact the Village to resolve the difference.

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Receipt Transactions

(continued)

Individual income tax returns are mailed out in January of each year. Income tax declaration forms for the first quarter are included with the mailing (due in April). Quarterly declarations for the remaining three quarters are invoiced at the beginning of the applicable month and due at the end of the month (July, October, and January).

Employers located within the corporation limits are required to withhold income taxes from employees and remit the withholdings to the Village monthly. Employers located outside the corporation limits who withhold income taxes may remit the withholdings monthly or quarterly.

Businesses may request a filing extension by sending a letter. Extension requests granted are maintained in a file folder until the tax return is received at which time the letter is pulled from the file and attached to the tax return.

Income tax documents are retrieved from the post office daily. These documents including income tax returns, declarations, and employer withholdings are stamped with the date received and deposited daily. Over the counter income tax receipts are also deposited daily. Over the counter receipts are recorded in a receipt book; a copy is provided to the payer and a copy is retained in the receipt book.

Income tax receipts paid with a check are scanned through the Check 21 system. The bank prepares a Deposit Detail for Remote Deposit Report that is printed and attached to a deposit slip. The scanned checks with a copy of the Deposit Detail for Remote Deposit Report is bound and held in the vault for three months. The scanned checks are then shredded by the Confidential Shredding Services Company.

Income tax payments are also received electronically through the Ohio Business Gateway. The Village is called by the Ohio Business Gateway when a payment is received. The Fiscal Officer also receives an email notification from Huntington Bank that a payment was received. The receipt is recorded at the time of notification.

The Village charges a \$25 late filing penalty for returns less than thirty days past due and a \$50 late filing penalty for returns more than thirty days past due. Late filing penalties are also assessed a 3 percent charge each month for eighteen months. In addition, there is an interest penalty charge of 12 percent annually based on the tax obligation due. Waiver of penalty and interest charges are considered on a case by case basis. Delinquent accounts can apply for up to a six month payment plan.

For residents that do not file their tax return by the April 15 deadline, a letter is mailed with a ten day compliance date. If the tax return is not filed within the ten days, a subpoena is sent demanding attendance at a meeting set by the Village. If the taxpayer does not appear, the Village subpoenas income tax returns from the State of Ohio in July or August. State statute requires the State of Ohio to submit the information to the Village within ninety days. An income tax return is prepared based on the income reported on the State of Ohio income tax return. If a tax return was not filed with the State of Ohio, the Village prepares an estimated tax return for the individual. A letter is mailed to the resident with a copy of the Village prepared tax return.

Village of Edgerton - Williams County

Report on Accounting Methods

Receipt Transactions

(continued)

If the income taxes are not paid, a Tax Determination form is sent to the taxpayer. If there is no response within fourteen days, the form is forwarded to the Village solicitor. The Village solicitor sends a demand letter to the taxpayer with a thirty day due date. If not paid, a court summons is sent to the taxpayer when the complaint is filed with the Bryan Municipal Court and an additional \$200 penalty and court costs are applied. If there is still no response, a judgment, including a court date for debtor exam, is filed with the court and wage garnishment may be obtained. The Village will file a lien on any property owned by the taxpayer.

At the end of the month, the income tax department prints a deposit summary report which lists the amount deposited each day and a total receipt report by month listing daily collections for individual, withholding, and corporation accounts.

Summary of Utility Receipts - All meters, except several large-power users, are electronically read around the 23rd of each month using the SC300 system for radio pickup of meter readings via vehicle drive-by for both electric and water usage. The SC300 is then uploaded into the billing system. Several large-power users are read manually by electric department employees. These readings are manually entered into the billing system.

Utility bills are printed at the end of the month and due on the 10th of the following month. After the 10th of the month, a 20 percent penalty is applied to unpaid utility bills. If the utility bill is not paid, a tag is placed on the door of the utility user on the 15th of the month notifying of pending shutoff on the 20th of the month and the user is charged \$15. If the utility bill is not paid on the 20th of the month, the utilities are shut off and the user is charged a \$15 disconnect fee. Upon payment of the unpaid utility bill, the utilities are reconnected and the user is charged a \$15 reconnect fee.

The Village has a night deposit box that is opened every morning and the utility stubs are compared to the amount of the checks. Cash, check, and credit card payments are accepted for payments made over the counter. Cash receipts are deposited daily. For payments made by check, the checks are scanned through the Check 21 system. The bank prepares a Deposit Detail for Remote Deposit Report that is printed and attached to a deposit slip. For payments made by credit card, the credit card slips are attached to the deposit slip and a report of payments made by credit card that is generated at the end of each day.

Utilities may also be paid by automatic withdrawal from the users checking account by completing a request form. Automatic withdrawals are completed by the 10th of each month.

A Daily Cash Journal is printed each day and reconciled to the cash, check, and credit card receipts for the day. Once reconciled, the account update is initiated in the computer system and all accounts are posted. A Trial Balance is printed on or about the 25th of each month to compare and reconcile the deposits made within the month to the utility billing software.

At the end of the month, the utility department prints a summary of the monthly activity for the Fiscal Officer who compares and reconciles the report to the deposits and other credits recorded on the bank statement.

Auditor of State Comments

None

Village of Edgerton - Williams County

Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

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

Statutory Requirements

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

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

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

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

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

Village of Edgerton - Williams 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 Village Council has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the Village.

Authority to Contract - Contracts are made by the Village Council and executed in the name of the Village by the Village Administrator, except as otherwise specified by State statute. All contracts are signed by the Village Administrator and the Fiscal Officer.

Bidding - All contracts calling for disbursements in excess of \$50,000 shall be in writing and made to the lowest and best bidder. Revised Code section 731.141 requires that bids be opened and publicly read by the Village Administrator at the time, date, and place specified in the advertisement for bids. Village Council must authorize and direct all such disbursements. Exceptions to the bidding requirements include contracts for:

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

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

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

Village of Edgerton - Williams County

Report on Accounting Methods

Purchasing Process

(continued)

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

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

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$500 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

Administrative Code Requirements

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

Methods Used by the Village

Purchases may be initiated by the Village Administrator, Fiscal Officer, department supervisors, and certain office personnel. To initiate a purchase, a purchase requisition is prepared and submitted to the Village Administrator for approval. Once approved, the purchase requisition is forwarded to the Fiscal Officer to certify availability of funds and to generate a purchase order. The department is notified of the approval to place the order or make the purchase. Once items are purchased or received, the receipt and/or verified packing slip is forwarded to the Fiscal Officer and held until receipt of invoice for payment.

Regular purchase orders include the purchase order number, vendor name and address, item description, account code, Fiscal Officer’s certification, and Village Administrator approval. Blanket purchase orders require the same detail as regular purchase orders. Purchase orders are prepared through the accounting software.

Village of Edgerton - Williams County

Report on Accounting Methods

Purchasing Process

(continued)

The Fiscal Officer prepares blanket purchase orders fuel, cell phones, landline phones, natural gas, paper shredding services, automobile parts and supplies, uniforms, dental and vision insurance, and AMP Ohio (purchase of electric power).

Then and Now certificates are used on occasion.

Auditor of State Comments

- The Village has not established, by resolution of Village Council, an amount for blanket purchase orders.

Village of Edgerton - Williams County

Report on Accounting Methods

Cash Disbursements

Description of an Effective Method for Cash Disbursements

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

Statutory Requirements

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

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

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

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

Administrative Code Requirements

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

Village of Edgerton - Williams County

Report on Accounting Methods

Cash Disbursements

(continued)

Methods Used by the Village

All invoices are received by the Fiscal Officer. Invoices are attached to the applicable purchase order, along with any other supporting documentation (such as a packing slip). Invoices are entered into the accounting software against the related purchase order.

A list of all bills to be paid is presented at each Village Council meeting for approval. Checks are generated the day following approval from the accounting software. Checks are signed by the Fiscal Officer and mailed.

All unused checks are kept in a safe in the Fiscal Officer's office.

A portion of the check stub serves as a voucher with a copy of the invoice, supporting documentation, and purchase order attached. Vouchers are filed by vendor name in the Fiscal Officer's office.

Auditor of State Comments

None

Village of Edgerton - Williams County

Report on Accounting Methods

Payroll Processing

Description of an Effective Method of Payroll Processing

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

Statutory Requirements

The following State statutes apply:

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

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

Methods Used by the Village

When an employee is hired or an official is new, an IRS Form W-4, state income tax IT-4, school district income tax, and pension forms (if applicable) are completed. A personnel folder for each individual/employee is maintained by the Fiscal Officer and kept in a locked file cabinet in the Fiscal Officer's office.

All newly hired employees are approved by Village Council and reflected in the minutes. Village Council approves all pay rates and pay increases by ordinance.

The Mayor and Village Council are paid a salary on a monthly basis. The Village Administrator and Fiscal Officer receive an annual salary and are paid biweekly. All other employees, with the exception of volunteer firefighters, are paid biweekly. Volunteer firefighters are paid monthly.

Village of Edgerton - Williams County

Report on Accounting Methods

Payroll Processing

(continued)

All non-salary employees, with the exception of volunteer firefighters, prepare a timecard which is approved first by the department supervisor then by the Village Administrator each pay period. The chief of the fire department prepares a schedule of hours worked for the volunteer firefighters.

Each pay period, the Fiscal Officer generates the payroll in the accounting software. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. Four members of Village Council, the Village Administrator, and most employees have OPERS withheld. Police department employees pay into the police and fire pension system. Firefighters employed prior to May 4, 1992, may elect to have OPERS withheld or pay into Social Security. Firefighters employed after May 4, 1992, pay into Social Security. The Mayor and two members of Village Council pay into Social Security.

All employees are paid by direct deposit. Individual payroll statements are placed in envelopes and distributed to individuals by their department head. Payroll statements are mailed to Village Council and to volunteer firefighters.

All payroll taxes are calculated by the accounting software. Payroll withholdings for federal income taxes, Social Security, Medicare, and deferred compensation are paid after each pay. State, village, and school income taxes are paid at the end of each month. OPERS and Police and Fire Pension are paid once a month.

All full-time employees receive vacation, personal, and sick leave benefits in accordance with Village policy. Vacation leave is credited on the employees' anniversary date, twenty-four hours of personal leave is received at the beginning of each year, and sick leave is accrued each pay period.

Employee health, vision, life, and accidental death and dismemberment insurance are fully paid by the Village. Employees contribute 50 percent of their dental insurance premium.

Auditor of State Comments

None

Village of Edgerton - Williams County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

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

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Date of Final Maturity</u>
<u>Manuscript Bonds</u>				
Town Hall Renovation	12/1/2012	2.65%	\$900,000	12/1/2027
<u>Loans</u>				
Town Hall Purchase	11/24/2009	0	250,000	11/24/2022
AMP Ohio	11/22/2013	4	940,000	11/30/2018

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

<u>Debt Issue</u>	<u>Pledged Revenues</u>	<u>Fund</u>
<u>Manuscript Bonds</u>		
Town Hall Renovation	None	Income Tax Capital
<u>Loans</u>		
Town Hall Purchase	None	Income Tax Capital
AMP Ohio Loan	Charges for Services	Electric

The Village is not delinquent on any principal and interest payments.

Auditor of State Comments

None

Village of Edgerton - Williams County

Report on Accounting Methods

Inventory of Capital Assets

Description of an Effective Inventory of Capital Assets

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

Administrative Code Requirements

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

Methods Used by the Village

The Village adopted a capital asset policy defining capital assets and their accountability. The Village has established the capital asset threshold at \$2,500. The Village prepared an inventory of capital assets in 2013; however, it was not updated for additions and disposals that occurred in 2014 and 2015.

Auditor of State Comments

- The Village did not update its capital asset inventory for additions and disposals that occurred in 2014. The Village needs to update its inventory for 2014 and 2015 additions and disposals.

Village of Edgerton - Williams County

Report on Accounting Methods

Cash Management and Investing

Description of an Effective Method of Cash Management

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

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

Statutory Requirements

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

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

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

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

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

In addition to the training required by section 135.22 regarding investing, section 733.27 of the Revised Code requires that the Fiscal Officer attend annual training programs of continuing education for village clerks provided by the Auditor of State. This training encompasses a wide variety of topics.

Village of Edgerton - Williams 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.

Methods Used by the Village

The Village has one checking account and a certificate of deposit with Huntington Bank.

The Fiscal Officer prepares the monthly bank reconciliation. The outstanding checklist is generated from the computer system. Upon completion of the monthly reconciliation, copies are provided to the Village Administrator and Village Council.

Interest from the accounts is posted monthly to the applicable funds.

The Village adopted its investment policy in 1996.

The Village's depository agreement was renewed in 2015.

Auditor of State Comments

None

Village of Edgerton - Williams County

Report on Accounting Methods

Financial Reporting

Description of an Effective Method of Financial Reporting

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

Statutory Requirements

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

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

Administrative Code Requirements

Ohio Administrative Code section 117-2-03 requires that local public offices file their annual financial report electronically with the Auditor of State through the annual financial data reporting system via an entity-specific link, unless the local public office has an approved waiver. A copy of the report is to be retained by the fiscal officer of the local public office.

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

Village of Edgerton - Williams County

Report on Accounting Methods

Financial Reporting

(continued)

Methods Used by the Village

Each month, Village Council receives a Fund Cash Balance Statement (includes by fund the beginning fund balance, month to date and year to date revenues and expenses, unencumbered fund balance, encumbrances, and available fund balance), the Revenue Statement (includes by fund and revenue account the estimated revenue amount, month to date and year to date receipts, the uncollected balance when compared to the estimated revenue, and the percent remaining to be collected when compared to the estimated revenue), the Expense Statement (includes by fund and expenditure account the amount appropriated, the month to date and year to date expenditures, the amount encumbered, the unencumbered balance, and the percent remaining to be collected when compared to the amount appropriated), an expense report for police, fire, parks, water, sewer, electric, and street departments, a copy of the bank reconciliation, and a listing of invoices to be paid.

The annual financial report for the year ended December 31, 2015, was filed with the Auditor of State on February 26, 2016, and a notice was published in the local newspaper.

Auditor of State Comments

- None

Village of Edgerton - Williams County

Report on Accounting Methods

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

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

Statutory Requirements

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

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

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

Village of Edgerton - Williams County

Report on Accounting Methods

Recording Official Proceedings

(continued)

Methods Used by the Village

Council meetings are held the first and third Monday of every month unless a holiday falls on Monday, and then the meeting is moved to Tuesday. The Fiscal Officer takes notes of the meeting and prepares the minutes from his notes. The minutes include attendance, list of visitors, adoption of previous minutes, visitor comments, new and old business, committee and commission reports, motions (the mover and the seconder), discussion, and vote including roll call when required, summary of discussions throughout the meeting, presentation of finances, executive session purposes and times, and adjournment. Minutes are signed by the Mayor and the Fiscal Officer.

Auditor of State Comments

- The Village's records commission is required to meet every six months as required by Section 149.39 of the Revised Code. The records commission does not meet every six months.

Village of Edgerton - Williams County

Report on Accounting Methods

Conclusion

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

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

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Dave Yost • Auditor of State

VILLAGE OF EDGERTON

WILLIAMS 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 10, 2016**