



**Dave Yost • Auditor of State**

**Village of Portage  
Wood County, Ohio**

**Report on Accounting Methods**

**Local Government Services**

**Village of Portage - Wood 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 Portage was conducted. This report on accounting methods states whether there are adequate controls in place to assure confidence in the records. The control deficiencies and instances of non-compliance with State statutes and the Ohio Administrative Code are identified throughout this report. Therefore, pursuant to section 118.10 of the Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Paul Marshall, Chairman of the Financial Planning and Supervision Commission of the Village of Portage; Mark Wolford, Mayor of the Village of Portage; and Mike Brinkman, President Pro-Tempore of Village Council.

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

DAVE YOST  
Auditor of State

May 5, 2011

## Village of Portage - Wood County

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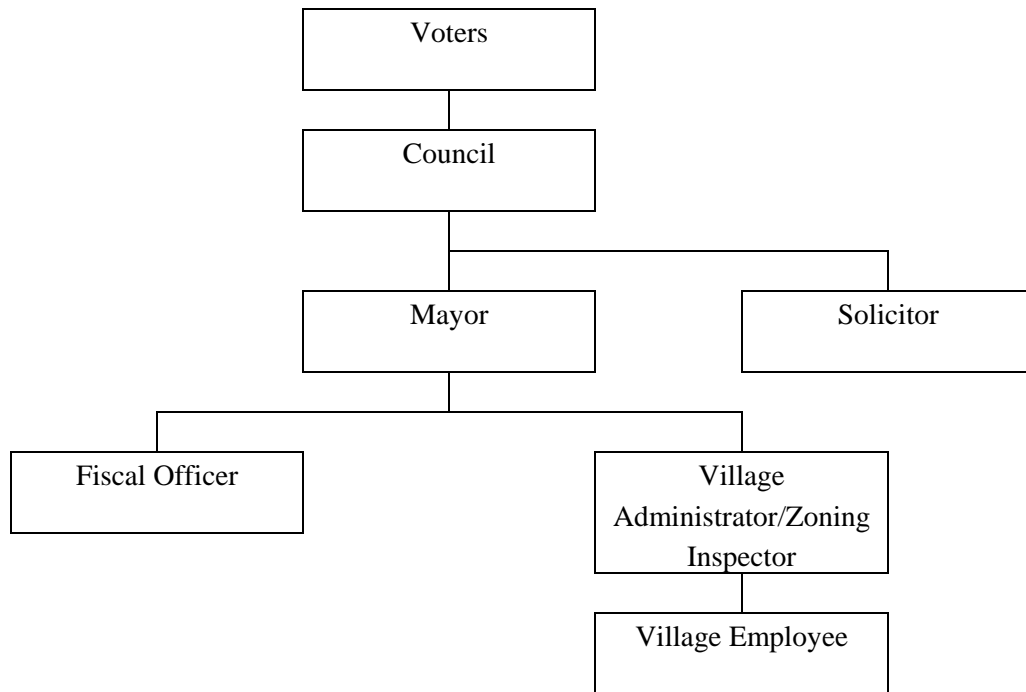
#### Purpose

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 Portage. 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 Portage Organizational Chart



## Village of Portage - Wood County

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#### Governance Overview

The Village of Portage (the Village) is located in northwest Ohio in Wood 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, Portage 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.

Because the Village has chosen to exercise Section 733.262 of the Revised Code, the Village Council 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, street lighting, park maintenance, and sewer system maintenance (all billing and collection is handled by the Northwestern Water and Sewer District).

Prior to January 1, 2010, the Village operated a police department and a mayor's court. These services are no longer provided by the Village. Issues relative to these departments will not be addressed in this report.

On April 8, 2009, 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 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.

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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, 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".

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.

**Village of Portage - Wood County**

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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 prepares 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. Village Council is required to adopt the budget by July 15 and the budget must be submitted to the Wood 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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#### 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.

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 Village Council. 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 weeks notice, approval of the Village 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 city manager, as the case may be, in the manner provided in section 705.17 of the Revised Code for the annual tax ordinance. The annual appropriation ordinance shall be submitted to the legislative authority at its first meeting in January and the total of any appropriation ordinance passed by such legislative authority shall not exceed the total unencumbered balances carried over from the previous year plus the estimated receipts of the current year.

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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 Fiscal Officer shall forthwith give notice to the Auditor and the Treasurer. Appropriations may be made in furtherance of improvements or other objects or work of the municipal corporation which will not be completed within the current year. At the end of each year, all unexpended balances of appropriations shall revert to the respective funds from which they were appropriated and shall then be subject to future appropriations.

#### **Administrative Code Requirements**

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

The legal level of control is the level at which spending in excess of budgeted amounts would be 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 tax budget is prepared by the Mayor and is based on prior year receipts and disbursements, giving consideration to non-recurring activities. The Village applied for a sixty day extension in 2010 for the 2011 tax budget. The tax budget was approved September 20, 2010, and submitted to the County Budget Commission.

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 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.

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#### **Budgetary System**

(continued)

The Mayor, with assistance from the Fiscal Officer, prepares the permanent appropriations 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**

- 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 appropriations demonstrating the effect of the appropriations and compliance with budgetary requirements, if adopted.
- The Village does not compare actual receipts to estimated resources during the year or request an amended certificate of estimated resources when increases or decreases are appropriate as required by section 5705.36 of the Revised Code. The Fiscal Officer should document the comparison of actual receipts to estimated receipts and present this comparison to the Village Council prior to requesting an amended certificate of estimated resources from the County Auditor.
- Estimated receipts and appropriations were not recorded correctly to the accounting system. Estimated receipts entered into the accounting system must match the current certificate of estimated resources from the County Auditor and appropriations must match the original appropriations ordinance plus any amendments approved by the Village Council.
- The Village does not compare cash disbursements plus encumbrances to available appropriations prior to certifying any purchase obligations and to determine whether any adjustments are needed to the amounts appropriated during the year. Section 5705.41(B) of the Revised Code states that no expenditure of money may be made unless it has been appropriated. The Fiscal Officer should periodically review the appropriation status report to determine if amounts appropriated will be sufficient for the remainder of the year and in the appropriate line item appropriation prior to certifying any purchase obligations.

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#### **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 is using the State software known as the Uniform Accounting Network (UAN). This system utilizes a numeric account coding system as outlined in the Village Officers' Handbook.

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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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#### Accounting Journals and Ledgers

(continued)

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 utilizes the Uniform Accounting Network (UAN). The system provides for all of the requirements of the Administrative Code.

The Fiscal Officer prints various reports at month end to support the monthly activity. At any time, the Fiscal Officer is able to print reports for any month requested. Up to five years of prior information can be maintained on the UAN system.

At council meetings, the Fiscal Officer provides a copy of the following reports to Village Council: a cash summary by fund report identifying, by fund, the beginning of year fund balance, year to date receipts and expenditures, and the ending fund balance; a revenue status report identifying the estimated resources, by fund, by revenue category, year to date receipts, and the percent of receipts collected year to date when compared to the estimate; and an appropriation status report identifying any prior year carryover balance, current year appropriations, amounts encumbered, the unencumbered fund balance, the amount spent year to date, and the percent spent year to date when compared to the amount appropriated.

## Village of Portage - Wood County

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#### Receipt Transactions

##### Description of an Effective Method for Recording Receipts

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

##### Statutory Requirements

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

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

## Village of Portage - Wood County

### Report on Accounting Methods

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#### Receipt Transactions

(continued)

#### Administrative Code Requirements

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

#### Methods Used by the Village

Summary of General Receipts - All receipts are processed by the Fiscal Officer. Receipts from local sources are received in the mail in the form of checks. Receipts from the County and the State are deposited directly into the Village's checking account. These electronic deposits are recorded at the end of the month when the Village gets the bank statement. Interest earned is posted at the end of each month.

The Fiscal Officer prepares a multi-part deposit slip for each general receipt listing the source and amount. All receipts are kept with the deposit slip in the Fiscal Officer's locked office on the desk until taken to the bank. Deposits are not made within statutory guidelines.

The receipts are entered into the UAN system by the Fiscal Officer at the end of the month. The duplicate copy of the deposit slip, along with supporting documentation and a standard receipt printed from the UAN software is filed in a binder by receipt number.

For direct deposits, the Fiscal Officer reviews the bank account at the end of the month and enters the receipts into the UAN system. There is sufficient information provided on the bank statement for the Fiscal Officer to determine the appropriate fund and receipt code to record the receipt.

The Fiscal Officer is bonded.

Summary of Income Tax Receipts - The Village implemented an income tax effective January 1, 2009. All Village residents eighteen and older are required to file an annual income tax return due on April 30<sup>th</sup>. Residents and businesses are taxed at a rate of 1 percent of gross wages or earned income. The Village Council approved the tax rate by ordinance and all income tax revenue is to be recorded in the General Fund.

Income tax withholdings, quarterly estimates, and payments filed with the return are sent to the Regional Income Tax Agency (RITA), who administers the income tax. Income tax receipts are deposited electronically by RITA twice a month into the Village's checking account. The amount deposited is net of RITA's administration fee. This fee is based on the amount of taxes collected, approximately three percent of collections. The Village receives a report from RITA within a couple of days after the deposit reflecting the amount of income taxes collected less the collection fee. The Fiscal Officer records the gross amount of income taxes collected in the accounting system as revenue and records the collection fee and refunds as an expenditure.



## Village of Portage - Wood County

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#### **Receipt Transactions**

(continued)

Summary of Sewer Receipts - Sewer billing and collection is done by the Northwestern Water and Sewer District. Each month, the Northwestern Water and Sewer District sends the Village a check for sewer receipts recorded the previous month. The Village prepares a deposit slip and records the receipt in the UAN system.

#### **Auditor of State Comments**

- The Fiscal Officer keeps receipts in his locked office; however, they are left on the desk. This does not adequately safeguard receipts. Receipts must be secured in a safe or locked cabinet with access limited to the Fiscal Officer.
- Deposits are not made timely. Section 9.38 of the Revised Code requires the deposit of all public monies the next business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The Village Council should implement a policy that includes provisions and procedures to safeguard the public monies until they are deposited.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### Purchasing Process

##### Description of an Effective Method for Purchasing

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

##### Statutory Requirements

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

Certification of the Fiscal Officer - Each contract or order for the disbursement of monies must be accompanied by a certificate of the 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 Portage - Wood County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

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

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

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

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

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

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

## Village of Portage - Wood County

### Report on Accounting Methods

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#### 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 \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

#### Administrative Code Requirements

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

#### Methods Used by the Village

The Mayor, Village Administrator, council members, and/or the Fiscal Officer can initiate a purchase. Currently, all purchases over \$50 must have prior approval from the Village Council before the purchase is made which Village Council approves by a motion of council.

Blanket purchase orders are established at the beginning of the year for utilities, postage, auditing/UAN services, principal payments, etc. No other purchases are approved prior to the purchase and purchase orders are not generated until the invoice is received or the purchase receipt is presented to the Fiscal Officer for payment.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

Regular purchase orders include the purchase order number, vendor name and address, a description of the items, amount per unit, total quantity requested, account code, Fiscal Officer's certification, and Village Council approval. Account codes are assigned based upon the description provided at the time of creating the purchase order, which is done at the time an invoice is received for items purchased using a regular purchase order.

The Fiscal Officer generates the purchase order in the computer system and prints two copies. One copy is attached to the invoice, along with a copy of the check, and is filed in check number order. The other copy is to be placed in a binder in purchase order number; however, there has been inconsistent filing of these purchase orders. Purchase orders are to be certified by the fiscal officer and approved by the Mayor. Currently, purchase orders are being certified by the fiscal officer at the time of payment; however, approval by the Mayor has been inconsistent.

#### Auditor of State Comments

- The Village does not require new vendors to submit information before a purchase order is completed. The Village should not issue purchase orders to a vendor until all appropriate information about the vendor is received, including an IRS Form W-9.
- Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services.
- The Village does not have an appropriate preapproval process in place to initiate a purchase. Documented approvals do not occur until the time the invoice needs to be paid. All purchases should be approved by the Mayor and certified by the Fiscal Officer prior to the order for goods or services being placed.
- The Fiscal Officer does not utilize a Then and Now Certificate when purchases are made without prior approval and certification. Purchase orders may be certified at the time of payment but the certification must indicate that, both at the time the order was placed and at the current time (time of payment), a sufficient sum was appropriated and is in the treasury or in the process of collection. Then and Now Certificates for amounts in excess of \$3,000 must be approved by council resolution within thirty days.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### Cash Disbursements

##### Description of an Effective Method for Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the 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”.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### Cash Disbursements

(continued)

#### Methods Used by the Village

The Fiscal Officer receives all mail and reviews all invoices received; however, there is no documented approval that invoices are verified as to the satisfactory delivery of the goods or services in the correct quantity or amount.

Bills are paid two to four times per month. Two signatures (Mayor and Fiscal Officer) are required on all checks. The Fiscal Officer creates the checks in the UAN software assigning the appropriate purchase order number, if applicable. The Fiscal Officer signs all checks and puts them in the Mayor's mailbox located in the central office location that is accessible to anyone who may be in the central office, including the public. The Mayor reviews the bills and signs the checks. The Mayor mails out the payments. Council sees a list of bills after they are paid.

Blank checks are kept in the Fiscal Officer's locked office; however, are not adequately secured and there are other individuals who have access to the office, such as the Mayor and the Village Administrator.

Checks with a copy of the invoice attached are filed in check number order in the Fiscal Officer's office.

The Fiscal Officer is the only individual that has access to the UAN software.

#### Auditor of State Comments

- Invoices are being paid without adequate documentation that goods and services were received or that goods and services received were as ordered (items, quantities, costs). The Village must establish a process by which purchases are properly authorized, received, and verified before invoices are paid.
- Blank checks are kept in the Fiscal Officer's office; however, they are not adequately secured. All checks must be maintained in a secure location with access limited to the Fiscal Officer.
- Checks signed by the Fiscal Officer and awaiting the Mayor's signature are not adequately secured. Checks are left in the Mayor's mailbox in the central office location that is accessible to anyone who may be in the central office, including the public. Checks awaiting the Mayor's signature should be kept in a safe or locked cabinet with access limited to the Fiscal Officer and Mayor.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### 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

Village Council approves all new employees. Village Council approves pay rates and raises by ordinance.

The Village Administrator and Fiscal Officer are appointed by the Mayor with Village Council approval.

When an employee is hired or an official is new, an IRS Form W-4 and PERS forms (if applicable) are completed. All payroll related forms/paperwork are maintained in the Fiscal Officer's office. The Village has been inconsistent in ensuring all forms are completed on a timely basis and are on file.



## Village of Portage - Wood County

### Report on Accounting Methods

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#### **Payroll Processing**

(continued)

Village Council and the Zoning Inspector (the Village Administrator also handles the zoning inspector responsibilities) receive a salary and are paid on a quarterly basis. The Mayor, Village Administrator, and Fiscal Officer receive a salary and are paid on a monthly basis. The Village employee fills out a timesheet, which is approved by the Village Administrator, and is paid monthly. The Village Solicitor submits a bill to the Village for services rendered and is used on an as needed basis.

No one earns sick time or vacation leave.

The Fiscal Officer enters the payroll data in the UAN payroll software. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. Three council members pay into social security and the remainder of the elected officials and employees pay into the Ohio Public Employees Retirement System.

The Fiscal Officer prints the payroll checks, signs them, and puts them in the Mayor's mailbox located in the central office location that is accessible to anyone who may be in the central office, including the public. After signing the checks, the Mayor either distributes them to the individuals or leaves them in the individual's mailbox in the Village Hall. The mailboxes are located in the central office location and are not secured.

All payroll taxes are calculated by the UAN software. Several reports can be printed from UAN that can be sent directly to the agency, such as OPERS and Employer's Quarterly Taxes (Form 941). Historically, payments to the IRS and OPERS have not been made timely and the Village has paid penalties for late payment.

#### **Auditor of State Comments**

- The Fiscal Officer is not maintaining adequate records and supporting documentation for the information provided to various reporting agencies, such as the IRS and OPERS. Copies of the Form 941's as well as the confirmation of deposits should be kept in a file by year. Copies of the Monthly Report of Retirement Contributions to OPERS and the corresponding confirmations of payment should also be kept in a file by year. Similar information must be maintained on employee withholdings for all other reporting agencies, such as the Ohio Department of Taxation for State income tax and/or school district income tax withholdings, etc.
- IRS Form W-4 and PERS forms are not completed timely by newly elected officials and/or new employees. These forms should be completed immediately upon appointment or hire and should be maintained in individual personnel files by the Fiscal Officer.
- Payroll checks signed by the Fiscal Officer and awaiting the Mayor's signature are not adequately secured. Checks are left in the Mayor's mailbox in the central office location that is accessible to anyone who may be in the central office, including the public. Checks awaiting the Mayor's signature should be kept in a safe or locked cabinet with access limited to the Fiscal Officer and Mayor.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### **Payroll Processing**

(continued)

- Payroll checks, which have not been distributed directly to the individual, are left in an unsecured central office location. Payroll checks must be kept in a safe or locked filing cabinet until they can be distributed directly to the individual or they should be placed in the mail to the individual.

Village of Portage - Wood County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

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

Statutory Requirements

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

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>Revenue Bonds</u>				
USDA Bonds A	12/1/93	5.625%	\$545,000	12/1/2032
USDA Bonds B	12/1/93	5.5	64,000	12/1/2032

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>Revenue Bonds</u>		
USDA Bonds	Charges for Services	Sewer Fund

In December 2009, the Village failed to make its principal and interest payments to the USDA due to insufficient cash in the Village treasury. This was in violation of the revenue bond covenants. Village officials met with a representative of the USDA who was informed that the Village would not have sufficient resources to make the principal and interest payments until receiving the February 2010 property tax settlement. In February 2010, the Village made the principal and interest payment, along with payment of a late payment penalty.

**Village of Portage - Wood County**

**Report on Accounting Methods**

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**Debt Administration**

(continued)

**Auditor of State Comments**

- Revenue bond covenants require the Village to maintain a reserve fund, in the amount of \$40,800, and to make all principal and interest payments in accordance with the amortization schedule. The Village must ensure that there are sufficient resources to make principal and interest payments when due.

## Village of Portage - Wood County

### Report on Accounting Methods

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#### 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.

##### 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. The Village should adopt policies and procedures to account for capital assets and develop an inventory of all capital assets.

## **Village of Portage - Wood County**

### **Report on Accounting Methods**

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#### **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 ensure 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, 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 Portage - Wood County

### Report on Accounting Methods

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#### 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 two checking accounts and a savings account. The Village does not have any investments.

The Huntington Bank and PNC Bank serve as the Village's depositories and receive wire transfers and deposits. All checks are written against these accounts. The Village is in the process of closing the account with Huntington Bank.

The UAN software provides a reconciliation from bank to books which is currently being utilized by the Fiscal Officer. The reconciliation is printed from the software and includes an outstanding checklist. The monthly bank reconciliation has been inconsistently provided to Village Council for their review.

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

#### Auditor of State Comments

- The Fiscal Officer does not attend annual training provided by the State Treasurer's Office for investments. The Fiscal Officer is exempt from this training if the Village has no investments and the Fiscal Officer files an exemption form. The form has not been filed.
- The Village is not adequately identifying voided checks. The bank routing number and account number should be marked through with a black marker and "void" should be written across the face of all voided checks. The checks should be filed in sequential order or in file labeled "voided checks".

## Village of Portage - Wood County

### Report on Accounting Methods

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#### **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(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 117-2-03(D) requires the reports to be filed on the forms provided by the Auditor of State.

**Financial Reporting Requirements** - On February 2, 2005, the American Institute of Certified Public Accounts (AICPA) issued an interpretation of one of its auditing standards (i.e., AU Section 623 Special Reports) that affects those governments that prepare financial statements using the cash or modified cash basis of accounting. According to the interpretation, the cash basis financial statements presentation must "look like" a generally accepted accounting principles (GAAP) presentation (i.e., GASB Statement No. 34, Basic Financial Statements - 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 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 Portage - Wood County

### Report on Accounting Methods

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#### **Financial Reporting**

(continued)

#### **Methods Used by the Village**

Each month the Clerk Treasurer provides the following information to the Village Council: a cash summary by fund, a revenue status report, and an appropriation status report. The cash summary by fund presents the fund balance at the beginning of the year, total receipts for the month and year to date, total disbursements for the month and year to date, and an ending fund balance.

The annual financial report for the year ended December 31, 2009, was filed with the Auditor of State on a timely basis, and a notice was published in the local newspaper.

#### **Auditor of State Comments**

- Village Council has not defined, by ordinance, the type or frequency of financial information to be reported to Village Council.

## **Village of Portage - Wood County**

### **Report on Accounting Methods**

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#### **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 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 clerk treasurer, 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 Portage - Wood County**

### **Report on Accounting Methods**

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#### **Recording Official Proceedings**

(continued)

#### **Methods Used by the Village**

Council meetings are held the first and third Monday of every month. The Fiscal Officer takes notes and records the meeting. Minutes are prepared using both the notes and the recording. The minutes include who is in attendance, approval of prior meeting minutes, visitor comments, new and old business, committee and commission reports, description of ordinances, resolutions, and/or more motions and the votes thereon, a summary of topics discussed, presentation of finances, and any other issues or concerns.

#### **Auditor of State Comments**

- The Village has not established a records commission as required by Section 149.39 of the Revised Code.
- The Village has not established rules for the retention and disposal of records as required by section 149.39 of the Revised Code.
- The Village Council approves many actions through motions instead of ordinances or resolutions. The Village Council should consult with the Village Solicitor to ensure it is approving actions through ordinance or resolution when required.
- Village minutes are sometimes incomplete or do not contain all actions of Council taken during the meeting or the signature of the Fiscal Officer. The Fiscal Officer should maintain a complete and accurate record of the Village meetings within the minutes. Village Council should note during the reading of the prior meeting minutes corrections of any actions or deliberations not mentioned in the minutes. All minutes should be signed by both the President of Council and Fiscal Officer after reading and approval of the minutes by Village Council.
- The signatures of the President of Council and Fiscal Officer are lacking on some ordinances. The President of Council as well as the Fiscal Officer should sign each ordinance.
- The signatures of the President of Council and Fiscal Officer are lacking on some minutes. The President of Council as well as the Fiscal Officer should sign the minutes.

## **Village of Portage - Wood County**

### **Report on Accounting Methods**

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#### **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 Portage 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.



# Dave Yost • Auditor of State

**VILLAGE OF PORTAGE**

**WOOD 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 5, 2011**