



**Dave Yost • Auditor of State**

**Village of Leipsic  
Putnam County**

**Report on Accounting Methods**

**Local Government Services**

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**Village of Leipsic - Putnam 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 Leipsic 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 Leipsic, Kevin Benton, Mayor of the Village of Leipsic, Sue Schroeder, President Pro-Tempore of Village Council.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost  
Auditor of State

April 23, 2013

## Village of Leipsic - Putnam 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 Leipsic. 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 Leipsic - Putnam County

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#### Governance Overview

The Village of Leipsic (the Village) is located in northwest Ohio in Putnam 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, Leipsic 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, street lighting, police and fire protection, EMS services, park operations, and water and sewer operations.

On September 16, 2010, 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

(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.

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



## Village of Leipsic - Putnam County

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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 revenues 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 Fiscal Officer and is based on prior year receipts and disbursements, giving consideration to non-recurring activities. The tax budget for 2013 was adopted by Village Council on July 9, 2012, and submitted to the County Budget Commission prior to July 20, 2012. In accordance with 705.17 of the Revised Code, the Village Council also adopted the annual tax ordinance on July 9, 2012.

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 2013 were approved by Village Council on September 17, 2012.

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 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 of the Revised Code. The Village Fiscal Officer, as well as Council, must review the financial and budgetary activity to ensure compliance with Ohio budgetary law. This review should be ongoing and documented.
- 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 Clerk Treasurer 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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#### **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. All account codes consist of twelve digits. For receipt codes, the first three digits represent the fund, the next four digits are all zeroes, the next digit represents that it is a revenue, the next digit represents the receipt source (for example taxes, charges for services, intergovernmental revenues), and the last three digits identify the specific receipt type (for example property taxes, income taxes). For disbursement codes, the first three digits represent the fund, the next digit represents the program (for example security of persons and property, leisure time activities), the next three digits represent the department (for example police, fire), the next digit represents that it is a disbursement, the next digit represents the object (for example salaries, fringe benefits, contractual services), and the final three digits identify the specific disbursement type (for example OPERS, workers' compensation).

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**Chart of Fund and Account Codes**

(continued)

**Auditor of State Comments**

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

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

The 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. Currently, information is available from January 1, 1998, to the current date.

At council meetings, the Fiscal Officer provides a copy of the following reports to Village Council; a cash summary report identifying by fund, the beginning of year fund balance, year to date receipts and expenditures, and the ending fund balance; a revenue 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 expense account report identifying the budgeted amount, the amount spent year to date, amounts encumbered, and the unencumbered fund balance.

#### Auditor of State Comments

None

## Village of Leipsic - Putnam 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 Leipsic - Putnam 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 - Receipts are processed by one of the administrative clerks. Receipts are received in person at the counter, in the mail in the form of checks, and by direct deposit. Receipts from the County are deposited directly into the Union Bank regular checking account. Receipts from the State of Ohio are received by mail. Interest is posted at the end of each month.

A receipt book is used to record all receipts as they are received and includes the date, payee, amount, purpose, account code, and signature of the administrative clerk preparing the receipt. Receipts are generally deposited the same or next day of the receipt date until approximately the 15th of each month. After the 15th, receipts are accumulated until there is approximately \$1,000 and then deposited. Until deposited, these receipts are kept in a safe within the administration building.

One of the administrative clerks prepares a deposit slip for general receipts, with the exception of direct deposits. The information on the deposit slip includes the date of deposit, the amount of currency deposited, and a listing of each check received by payee. Deposits are made into the Union Bank regular checking account.

The duplicate copy of the deposit slip is kept in the deposit book, along with the bank receipt (obtained from bank when deposit is made). Batch files from the computer are printed for each deposit and placed in a binder by date.

Receipts are entered semi-monthly, except for utility payments, into the computer system from the receipt book. The duplicate receipt includes the supporting documentation, if any, stapled to the back of the preceding page of the receipt book.

For direct deposits, one of the administrative clerks reviews the bank account online to confirm the deposit was made upon receiving notice from the County that a distribution of revenue was made. A receipt is written with the supporting documentation stapled to the back of the preceding page of the receipt book and entered into the computer system.

The processing of general receipts is segregated amongst the administrative clerks in order to safeguard the receipting process.

## Village of Leipsic - Putnam County

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#### Receipt Transactions

(continued)

Summary of Income Tax Receipts - The Village implemented an income tax effective January 1, 1971. All Village residents eighteen and older are required to file an annual income tax return due on April 30. Residents and businesses are taxed at a rate of 1.5 percent of gross wages or earned income. The Village Council approved the tax rate by ordinance and all income tax revenue is recorded in the Income Tax Fund.

In January 2012, the Village began using the Regional Income Tax Agency (RITA) for income tax processing and collection. Income tax withholdings, quarterly estimates, and payments filed with the return are sent to RITA. Income tax receipts are deposited electronically by RITA twice a month into the Union Bank regular 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. An administrative clerk records the gross amount of income taxes collected in the accounting system as revenue and records the collection fee as an expenditure.

#### Summary of Utility Receipts

The Village provides water and sewer service to residents. Meters are manually read and recorded in meter books around the 20th of each month. An administrative clerk enters the reading information into the utility software. A high-low report is then generated that provides the usage for the same month in the prior year, the average usage for the year, the last two months of usage, and the current usage. An asterisk denotes accounts in which the current usage is disproportionate to historical usage. Property owners are contacted to determine the reason for large variances and meters are re-read if needed.

Utility bills are printed at the end of the month in the month in which the meters are read and mailed prior to month-end. The utility bills are due on the 15th of the following month. Two banks collect utility bills for the Village from the 1st through the 15th of the month - Union Bank and Fort Jennings State Bank. After the 15th of the month, the banks will no longer accept utility payments. All payments at this point must be made at the administration building.

An administrative clerk goes to the Fort Jennings State Bank and receives a check on the 16th of each month for the month's collections and the utility stubs. The utility stubs are used to enter payment information into the utility software. A Receipts Posting Journal is generated from the utility software and reconciled to the amount of the check. When reconciled, the check is deposited into the Union Bank utility bank account.

Through the 15th of each month, an administrative clerk goes to the Union Bank daily to pick up utility stubs and a printout of the amount of these payments deposited into the Union Bank utility bank account. The utility stubs are used to enter payment information into the utility software daily. A Receipts Posting Journal is generated from the utility software and reconciled to the printout from the Union Bank.

The Village has a night deposit box that is opened every morning and the utility stubs are compared to the amount of the checks. Over-the-counter payments and payments from the night deposit box are entered into the utility software daily through the 15th of the month. A Receipts Posting Journal is generated and amounts are kept in a safe within the administration building until deposited in the bank. Prior to the 15th of the month, receipts are generally deposited the same or next day of the receipt date.

## Village of Leipsic - Putnam County

### Report on Accounting Methods

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#### Receipt Transactions

(continued)

After the 15th of the month, receipts are accumulated until there is approximately \$1,000 and then deposited. Until deposited, these receipts are kept in a safe within the administration building. These utility payments are not entered into the utility software until amounts are ready to be deposited into the bank. At that time, the utility stubs are entered into the utility software and a Receipt Posting Journal is generated to confirm the amount of the deposit to be made into the Union Bank utility bank account.

After the due date, a 10 percent penalty is applied to unpaid utility bills. Shut-offs are made on the first day of each month if the prior month's utility bill has not been paid. At the time the bill is paid, a manual utility bill is generated that includes the 10 percent penalty and a \$25 turn-on fee.

At the end of the month, a Receipts Posting Journal is generated for the entire month and reconciled with the Union Bank utility bank account. Once reconciled, the amount in the Union Bank utility bank account is transferred to the Union Bank regular checking account.

The processing of utility receipts is segregated amongst the administrative clerks in order to safeguard the receipting process.

#### Summary of Invoiced Receipts

The Village invoices for police and fire protection for various entities, bulk water sales, and wastewater plant bulk collection.

The Village of West Leipsic is billed semi-annually for police services. Various townships and the Village of West Leipsic are billed quarterly for fire protection services.

The water treatment superintendent submits a list of bulk water sales to the administrative clerk for billing as they occur.

The wastewater treatment superintendent submits a list of wastewater collection from various companies for septic waste, grease pits, etc., at the end of each month.

A receipt is written when payment is received and a deposit is prepared. Deposits are made either the same day or the next day of the receipt date into the Union Bank regular checking account. Receipts are entered semi-monthly into the computer from the receipt book. The duplicate receipt includes the supporting documentation, if any, stapled to the back of the preceding page of the receipt book.

#### Auditor of State Comments

- Deposits are not made daily. Section 9.38 of the Revised Code requires the deposit of all public monies the next business day next following the day of receipt or, if the amount is less than \$1,000, the legislative authority may adopt a policy permitting a different time period, not to exceed three business days next following the day of receipt for making such deposits. The policy shall include provisions and procedures to safeguard the public monies until they are deposited.

## Village of Leipsic - Putnam 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 Leipsic - Putnam 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 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 Leipsic - Putnam 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 \$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

Purchase requisitions are prepared to initiate a purchase by the Fiscal Officer, administrative clerks, and the police, water, and wastewater department supervisors. The Village Administrator, the fire chief, and the street department supervisor usually prepare purchase orders after the purchase has been made. Department supervisors may make purchases of under \$50 without a requisition or purchase order but cannot spend more than \$150 per month without prior approval from the Village Administrator.

Purchase requisitions are presented to the Village Administrator for approval and then to the Fiscal Officer to confirm that appropriations are available to cover the purchase. Approved requisitions are given to an administrative clerk to prepare a purchase order.

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, Department Supervisor approval, Fiscal Officer’s certification, and Village Administrator approval.

## Village of Leipsic - Putnam County

### Report on Accounting Methods

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#### Purchasing Process

(continued)

Blanket purchase orders require the same detail as regular purchase orders. Blanket purchase orders are prepared for property and liability insurance, volunteer fireman insurance, membership dues, subscriptions, maintenance and inspection agreements, annual licensures, and rent. Village Council has not adopted a resolution indicating the maximum amount allowed for blanket purchase orders.

Then and Now purchase orders are used on a limited basis as needed and require the date of the purchase and the certification by the Fiscal Officer. Village Council approves all Then and Now purchase orders that are over \$3,000.

Purchase orders are entered into the computer system after approval by the Village Administrator and certification by the Fiscal Officer. An administrative clerk prints one copy of the purchase order which is filed in alphabetical order until the invoice is received for payment.

#### 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 new vendor until all appropriate information about the vendor is received, including an IRS Form W-9.
- The Ohio Administrative Code requires purchase orders to be used to initiate purchase commitments and to encumber funds against the applicable appropriation accounts. Purchases should be certified indicating sufficient unencumbered appropriations exist prior to the purchase of goods or services. All purchases should be approved by the Village Administrator and certified by the Fiscal Officer prior to the order for goods or services being placed.
- The Village currently utilizes blanket purchase orders; however, the Village Council has not established the limits for blanket purchase orders by resolution.
- Department supervisors are allowed to make purchases up to \$150 per month without the approval of the Village Administrator; however, the Village has no policy outlining this process. The Village Council should establish a policy outlining the authorization for this type of purchase.
- The Village does not use the Auditor of State Findings for Recovery Database when entering into contracts. Section 9.24 of the Revised Code 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 any person against whom a finding for recovery has been issued by the Auditor of State if that finding is unresolved.

## Village of Leipsic - Putnam 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 Leipsic - Putnam County**

**Report on Accounting Methods**

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**Cash Disbursements**

(continued)

**Methods Used by the Village**

The administrative clerks receive all mail. Invoices are attached to the purchase order and any other supporting documentation and are presented to the Village Administrator for approval.

Bills are paid twice a month. Two signatures (Village Administrator and Fiscal Officer) are required on all checks. An administrative clerk generates the checks in the computer system assigning the appropriate purchase order number. The Village Administrator signs all checks and forwards them to the Fiscal Officer for signature. Checks are then mailed by an administrative clerk. Village Council is presented with a list of bills paid following payment.

A copy of the check with the invoice, supporting documentation, and purchase order attached is filed in check number order.

Voided checks are marked "Void" on the face of the check and filed in check number order.

Payments on the Village's debt are made when due and follow the process outlined above.

**Auditor of State Comments**

None

## Village of Leipsic - Putnam 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

The Village Administrator is appointed by the Mayor with Village Council's approval. The Village Administrator is responsible for hiring all staff. Village Council approves all employees hired, pay rates, and raises by ordinance.

When an employee is hired or an official is new, an IRS Form W-4, IT-4, and pension forms (if applicable) are completed. All personnel files are maintained in the Finance Department in a locked filing cabinet. Only appropriate individuals have access.

The Mayor, Village Council, and the volunteer fire officers are paid a salary on a quarterly basis, in accordance with Village ordinance. The Village Administrator, Fiscal Officer, and all other employees, except for volunteer firemen, are paid bi-weekly. The Village Administrator and Fiscal Officer are paid a salary; all other employees prepare a timesheet. The fire chief prepares a summary of hours worked for the volunteer firemen who are paid semi-annually.

## Village of Leipsic - Putnam County

### Report on Accounting Methods

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#### Payroll Processing

(continued)

Employee timesheets are approved by the respective department heads in the police, street, water, and wastewater departments. Timesheets are delivered to the Village Administrator for review and authorization to pay and sent to an administrative clerk for processing.

An administrative clerk generates the payroll in the computer system. The software calculates the gross pay, as well as all payroll withholdings to determine the net pay amount. The Mayor, Village Council, Village Administrator, and most Village employees have OPERS withheld. The police department employees pay into the Ohio Police and Fire Pension System. The volunteer firemen employed prior to May 4, 1992, may elect to have OPERS withheld, all other firemen have Social Security withheld.

A check is written from the Union Bank regular checking account to the Union Bank payroll account to cover gross payroll. The employer share of withholdings are paid from the Union Bank regular checking account.

All employees are paid by direct deposit. The payroll vouchers are placed in envelopes. Except for Village Council and firemen, department heads pick up the envelopes and distribute them to employees. For Village Council and firemen, the payroll vouchers are mailed.

All payroll taxes are calculated by the computer system. Payroll withholdings for federal income taxes, FICA, Medicare, deferred compensation, and the employee share of health care are paid after each pay. State, village, and school income taxes are paid at the end of each month. OPERS and Ohio Police and Fire Pension are paid once a month. An administrative clerk prepares all of the withholding reports manually based on information generated by the computer system.

All full-time village employees are entitled to vacation and sick leave as outlined in the personnel policy manual. All employee leave balances are maintained in the computer system. Leave requests are approved by the department head and the Village Administrator.

#### Auditor of State Comments

None

Village of Leipsic - Putnam 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 Notes</u>				
Ft. Jennings State Bank	1/28/2011	3%	\$327,000	1/28/2014
<u>Mortgage Revenue Bonds</u>				
Waterworks System	6/24/1997	5	2,371,000	6/1/2037
<u>General Obligation Bonds</u>				
Water System Improvement	4/18/2007	4.5-4.75	1,500,000	12/1/2027
<u>OPWC Loans</u>				
Vine Street Sewer Separation	7/1/1999	0	105,916	7/1/2019
Eastom and Blank Street Storm Sewer	5/30/2001	0	136,800	7/1/2021
Orchard Drive Sewer Replacement	8/15/1994	0	132,399	1/1/2015
Orchard Drive Sewer Replacement	7/1/1999	0	79,370	1/1/2030
<u>OWDA Loans</u>				
Wastewater Treatment Plant Acquisition	4/13/1989	7.89	1,087,766	7/1/2014
Wastewater Treatment Plant Improvements	9/25/1997	4.12	2,285,334	7/1/2017
Sanitary Sewer Separation	10/26/2006	0	5,993,679	1/1/2028
Water Reservoir	12/11/2008	5.29	7,600,050	1/1/2041

**Village of Leipsic - Putnam County**

**Report on Accounting Methods**

**Debt Administration**

(continued)

<u>Debt Issue</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Date of Final Maturity</u>
<u>Ohio Rail Development Loan</u>				
Railroad	11/12/2008	0-2.67%	\$825,000	12/1/2015

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 Notes</u>		
Ft. Jennings State Bank	None	General
<u>Mortgage Revenue Bonds</u>		
Waterworks System	Charges for Services	Water
<u>General Obligation Bonds</u>		
Water System Improvement	Charges for Services/ Income Taxes	Reservoir
<u>OPWC Loans</u>		
Vine Street Sewer Separation Eastom and Blank Street	Charges for Services	Sewer
Storm Sewer	Charges for Services	Sewer
Orchard Drive Sewer Replacement	Charges for Services	Sewer
Orchard Drive Storm Sewer Replacement	Charges for Services	Sewer
<u>OWDA Loans</u>		
Wastewater Treatment Plant Acquisition	Charges for Services	Sewer
Wastewater Treatment Plant Improvements	Charges for Services	Sewer
Sanitary Sewer Separation	Charges for Services	Sewer
Water Reservoir	Charges for Services/ Income Taxes	Reservoir
<u>Ohio Rail Development Loan</u>		
Railroad	Charges for Services	Railroad

The Village is in compliance with all mortgage revenue bond covenants. The Village is not delinquent on any principal and interest payments.

**Auditor of State Comments**

None

## Village of Leipsic - Putnam 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.

##### Methods Used by the Village

The Village performed an inventory of capital assets approximately four years ago. The assets were tagged and recorded in a three-ring binder.

The Village is currently in the process of updating this data for insurance purposes.

##### Auditor of State Comments

- The Village does not maintain a consistent 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 adopt policies and procedures to account for capital assets and update its inventory of capital assets annually.

## Village of Leipsic - Putnam 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 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, 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 Leipsic - Putnam 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 six checking accounts between the Union Bank and the Ft. Jennings State Bank. The Village does not have any investments. Depository agreements were approved by Village Council for both banks. Village Council adopted a resolution establishing an investment policy in 1996 which was updated in 2010.

The accounts at the Union Bank consist of the regular checking account, payroll account, utility collection account, health reimbursement account, and the wastewater improvement project account. The Ft. Jennings State Bank account is for utility collections.

An administrative clerk prepares the monthly bank reconciliation for all accounts. Outstanding checklists are generated from the computer system. Upon completion of the monthly reconciliation, the Fiscal Officer, Village Administrator, and the Finance Committee review and sign the bank reconciliation for all accounts.

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

#### Auditor of State Comments

None



## Village of Leipsic - Putnam 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 Leipsic - Putnam County

### Report on Accounting Methods

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#### **Financial Reporting**

(continued)

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

At council meetings, the Fiscal Officer provides a copy of the following reports to Village Council; a cash summary report identifying by fund, the beginning of year fund balance, year to date receipts and expenditures, and the ending fund balance; a revenue 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 expense account report identifying the budgeted amount, the amount spent year to date, amounts encumbered, and the unencumbered fund balance.

The annual financial report for the year ended December 31, 2012, was filed with the Auditor of State on a timely basis and a notice was published in the local newspaper.

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

None

## Village of Leipsic - Putnam 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 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 Leipsic - Putnam 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 unless a holiday falls on Monday, and then they are moved to Tuesday. The Fiscal Officer takes notes and records the meeting. Minutes are prepared using both the notes and the recording. The minutes include attendance including 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.

Ordinances or resolutions for Village Council consideration are prepared by the Village Solicitor and/or the Village Administrator. Adopted ordinances/resolutions are maintained in a ledger by number.

#### **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 has not met on a regular basis.

## Village of Leipsic - Putnam 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 Leipsic 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 LEIPSIC

PUTNAM 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  
APRIL 23, 2013