



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**

**Village of Harveysburg**  
**Warren County**  
**Report on Accounting Methods**

Local Government Services Division  
Auditor of State's Office

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### **CERTIFICATION**

In compliance with the requirement set forth in Section 118.10 (A) of the Ohio Revised Code, an assessment of the methods, accuracy and legality of the accounts, records, files, and reports of the Village of Harveysburg was conducted. This report on accounting methods states whether the accounting system currently in place fulfills the needs of the Village and whether there are adequate controls in place to assure confidence in the records. Therefore, pursuant to Section 118.10 of the Ohio Revised Code, a "Report on Accounting Methods" is hereby submitted and certified to Raymond Roberts, Mayor of the Village of Harveysburg; Vincent Bees, President Pro Tempore of Council; and Joe Gray, Chairman of the Financial Planning and Supervision Commission.

JIM PETRO  
Auditor of State

March 8, 2002

# Village of Harveysburg - Warren County

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### PURPOSE

As required by Section 118.10 (A), Revised Code, the Auditor of State "...Shall issue a preliminary report with respect to the method, accuracy and legality of the accounts, records, files and reports of the municipality. Such report shall state whether Chapter 117 of the Revised Code, the requirements of the office of the Auditor of State have been 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 Harveysburg. We were not engaged to, and did not, 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 to you.

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### The Village and Form of Government

The Village of Harveysburg (the Village) is located in southwest Ohio, approximately 25 miles south of the City of Dayton, in Warren County and has a population of approximately 437. The Village is a home rule municipal corporation regulated by Article XVIII of the Ohio Constitution and by Title 7 of the Ohio Revised Code. Operating as a statutory village, Harveysburg must comply with all State laws regulating village government. The decision-making process is directed by an elected Village Council and Mayor.

The 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 Council elects a President Pro-Tempore to preside over Council meetings in the Mayor's absence. The Council has the power to appoint various Village officials and 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. The Mayor has the right to introduce ordinances and resolutions and make recommendations to Council, and has voting rights only in the case of a tie. The Mayor does not have judicial powers. The Magistrate is the person with judicial powers and may hear and determine cases involving violations of Village ordinances and all traffic violations within the Village subject to certain statutory limitations.

The Village had a Village Administrator until April 28, 2001. The police chief took over the position as Acting Village Administrator for a short period of time, then the Acting Village Administrator position was eliminated and the police chief assumed the position of Street Commissioner. Currently, the Village does not have a Village Administrator.

The Clerk-Treasurer is elected to a four-year term and serves as the Chief Fiscal Officer of the Village and Clerk for the Council. The Clerk-Treasurer attends all Council meetings and keeps a record of all proceedings, rules, bylaws and legislation. In addition, the Clerk-Treasurer keeps statements of all monies received and expended by the Village and keeps records of all property owned by the Village and of all taxes and assessments. The Clerk-Treasurer establishes the accounting procedures for the Village subject to approval of the Auditor of State.

On September 20, 2001, the Village was declared to be in a state of 'fiscal emergency' by the Auditor of State. In accordance with the law, a Financial Planning and Supervision Commission was established to oversee all financial affairs of the Village until the fiscal emergency is lifted. The Commission consists of: the Treasurer of State or his representative, the Director of Budget and Management or his representative, the Mayor of the Village, the President Pro Tempore of the Council of the Village, and three members appointed by the Governor as nominated by the Mayor and President Pro Tempore of Council.

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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 how much and what type of financial resources shall be raised and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenue and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various Village departments, programs offered to its residents, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

**Statutory Requirements** - The budgetary process for the Village is prescribed in Chapter 5705, Revised Code, and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**Tax Budget:** The Mayor prepares an annual tax budget for the period of January 1 to December 31 of the following year of estimated revenues and expenditures for all funds of the Village. Ten days before adoption of the budget, the budget must be filed in the Clerk-Treasurer's office for public inspection. At least one public hearing must be held for discussion of the budget. Council's adoption of the budget must be by July 15 and the budget must be submitted to the Warren County Budget Commission by July 20 of each year.

The Budget Commission examines the budget to ascertain that all 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. On or about October 1, Council must authorize, by resolution, the necessary tax levies and certify them to the County Auditor.

**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.

On or about January 1, the Clerk-Treasurer certifies to the Budget Commission the actual year end balances of all Village funds. Upon receipt of the information, the Budget Commission issues an amended official certificate of estimated resources which includes the unencumbered fund balance at December 31. Further amendments may be made during the year if the Clerk-Treasurer 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.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Budgetary System

(Continued)

Appropriation Ordinance: 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 shall 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 appropriations or alter the levels adopted by Council, must be approved by Council. The Village may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent amended certificate of estimated resources.

Encumbrances: As part of formal budget control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed 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 body 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 to be 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 Village tax budget is prepared by the Clerk -Treasurer and is based on prior year receipts and expenditures and estimates for the next year based on information at the time of preparation. The tax budget is reviewed by the Village Council Finance Committee with input from other Village department heads and the Mayor. The Finance Committee determines the amounts to be shown in the tax budget and the final version is prepared by the Clerk-Treasurer who presents it to Council for approval and adoption.

Notice of a public hearing is published by the Clerk-Treasurer, and such hearing is held by Council prior to the adoption of the tax budget. The tax budget for the next year is generally adopted by July 15th.

# Village of Harveysburg - Warren County

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### Budgetary System

(Continued)

#### Auditor of State Comments

- The file copy of the tax budget for calendar year 2000 and 2001 does not show the beginning unencumbered fund balance amounts.
- Actual amounts for the calendar year 1999 are not listed on the file copy of the tax budget for calendar year 2001 and 2002.
- The tax budget for calendar year 2000 was signed by the Mayor on July 27, 1999 and filed late with the Warren County Budget Commission.

#### Appropriations:

- The annual appropriation ordinance for 2000 was not filed with the County Budget Commission. For 2001, all funds were not appropriated.

#### Certificate of Year Fund Balances:

- The Village did not complete the certificate of year-end fund balances. The last time this form was completed and filed with the County Auditor was in 1997.

#### Amended Official Certificate of Estimated Resources:

- The Village does not compare estimated (budgeted) revenues to actual revenues during the year.
- The Village has not requested an amended official certificate of estimated resources for any revised estimates in revenues.



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### Chart of Fund and Account Codes

#### Description of Effective Chart of Fund and Account Codes

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

**Statutory Requirements** - The creation of funds is authorized by Section 5705.09, Revised Code. Section 5705.13, Revised Code, allows for the creation of reserve funds for budget stabilization, self-insurance reserves, retrospective workers' compensation reserves, accumulated sick and vacation leave reserves, and a reserve for the acquisition, construction, or improvement of fixed assets. Additional funds may be established under Section 5705.12, Revised Code, with the written approval of the Auditor of State.

**Administrative Code Requirements** - Section 117-9-01 of the Ohio Administrative Code requires funds to be established by each village based on statutory requirements and accounting needs. Section 117-9-01 of the Ohio Administrative Code also states that when not authorized or required by statute, the establishment of a new fund requires prior written Auditor of State approval under section 5705.12 of the Revised Code. Receipts are to be classified by fund and source. Expenditures/disbursements for governmental funds are to be classified by fund, program and/or object code. Disbursements from proprietary and similar trust funds are to be classified by object. Suggested receipt sources and expenditure programs and objects are provided in the Administrative Code.

#### Auditor of State Comments

- The major object codes for expenditures are not used consistently throughout the various programs and activity accounts in all funds.
- The Village receives a grant for the police department which is recorded to the general fund rather than a separate special revenue fund.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Accounting Ledgers

#### Description of Effective Accounting Ledgers

The accounting ledgers of the Village should allow for ongoing and timely information on estimated and actual revenues, expenditures and encumbrances, comparison of expenditures to the appropriation authority, available cash balances for each fund, and the total treasury balance. The information captured for each transaction should allow the transaction to be tracked throughout the 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 shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets (and liabilities, if generally accepted accounting principles apply), document compliance with finance-related legal and contractual requirements and prepare financial statements required by Ohio Administrative Code Section 117-2-03.

Section 117-2-02(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 revenues and expenditures processed in the Clerk-Treasurer's office. The cash journal presents revenues deposited to and warrants drawn against the Village treasury and the fund to which the revenues and warrants were recorded. Entries to the cash journal are posted sequentially by date from source documents such as pay-in-orders and warrants. The related pay-in-order or warrant number, account codes, and date are also recorded for each transaction. At the end of each month, month-to-date totals and year-to-date totals are recorded.

**Receipt Ledger** - The receipt ledger is used to summarize revenues by fund and account. In addition, the estimated revenue and uncollected balance are presented for each source of revenue. Estimated revenues are recorded from the detail used in the preparation of the tax budget and are adjusted for any amendments to the certificate of estimated resources. Revenue 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 recorded.

**Appropriation Ledger** - The appropriation ledger is used to summarize appropriations, expenditures and encumbrances, by fund and account. In addition, the ledger accommodates the encumbering of obligations of the Village, identifies the warrant/check issued for the payment of the obligation, and records any necessary adjustments to an appropriation account. The ledger also facilitates budgetary control by enabling the Village to keep its expenditures and encumbrances within the amounts appropriated by Council. The unencumbered appropriation balance provides information on the amount available for obligation. At the end of each month, month-to-date totals and year-to-date totals are recorded.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Accounting Ledgers

(Continued)

#### Methods Used by the Village

The Village maintains a cash journal and a receipt and an appropriation ledger. Entries are posted from source documents by the Village Clerk-Treasurer. The cash transactions recorded in the cash journal include the respective account codes and the appropriate references to the source documents. The cash journal entries are then posted to the receipt and appropriation ledgers.

#### Auditor of State Comments

The following deficiencies were found with the cash journal:

- The column totals for treasury receipts, disbursements, and balances are not reconciled to the fund receipts, disbursements, and balances.
- The water reserve fund is excluded from the 2001 cash journal.
- Account codes were not recorded for all transactions.
- Property tax settlements are not recorded at gross and the deductions are not listed as expenditures.
- Some account codes are inappropriately used for the transactions.

The following deficiencies were found with the receipts ledger:

- All ledger pages are not labeled with the fund, major revenue source, account name and number.
- The estimated revenue by account is not posted.
- Month and year-to-date totals are not recorded and the estimated amount remaining to be received is not computed.

The following deficiencies were found with the appropriation ledger:

- All ledger pages are not labeled with the fund, program, activity and object descriptions and the account code.
- Encumbrances are not posted and the unencumbered balance is not computed.
- Month and year-to-date totals are not recorded.

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### Revenue Transactions

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

The receipting process should allow for the consistent classification and identification of each revenue item. All revenues should be promptly recorded, safeguarded and deposited at least daily. The revenue or pay-in-order form should be a multi-part form that is pre-numbered and consecutive. The form should bear the name of the entity and reflect the date received, the payee, amount, the purpose or nature of the revenue, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the revenue receipt and filed numerically or by payee. All revenues or pay-in-orders should be recorded in the cash journal and receipt ledger in a timely manner. Subsidiary ledgers should be maintained for utility customers to account for receipts, charges, and account balances.

**Statutory Requirements** - Section 9.38, Revised Code, provides, a person who is a public official, employee, or agent shall deposit all public moneys 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 moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys 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 moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys 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.

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

#### Method Utilized by the Village

All revenues are directed to the Clerk-Treasurer's office and all receipts are deposited in the Village's checking account.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Revenue Transactions

(Continued)

Substantially all money received by the Village Clerk-Treasurer is in the form of a check; however, some cash is received. Money is received through the mail or directly at the Village office. Upon receipt by the Clerk-Treasurer, a two-part, pre-numbered pay-in order is prepared. The pay-in order provides the payee name, sources of revenue, date, amount, fund name, account code and the signature of the Clerk-Treasurer. The checks and cash are placed in a locked office until deposited. All pay-in orders are recorded in the cash journal and receipts ledger in a timely manner. The Clerk-Treasurer office hours are 8:30 am through 3:00 pm on Mondays, Wednesdays and Fridays. On those days the Clerk-Treasurer completes the deposit slip and takes the deposit to the bank. On Tuesdays and Thursdays, the receipts are included and deposited with the next day's receipts. Deposit slips are made in duplicate and include the date, bank account number, the amount and a brief description. The original deposit slip is kept by the bank and a receipt is prepared by the bank teller and returned to the Clerk-Treasurer reflecting the date, account number, and amount of the deposit. This duplicate deposit slip along with the attached bank receipt is filed in the Clerk-Treasurer's office.

### Auditor of State Comments

- The Village does not have a comprehensive, written set of procedures for the collection, recording and deposit of monies.
- Real estate taxes, personal property taxes, manufactured home taxes, and homestead and rollback reimbursements are not posted to the proper fund and account in the correct amounts.
- Deposit slips do not reference pay-in order numbers.

# Village of Harveysburg - Warren County

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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 the purchasing process should be integrated with the budget. The process should include an indication of need and selection of the vendor with the best price as well as authorization of the purchase 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 an appropriation line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**Statutory Requirements** - Several State laws govern the purchasing process. The requirements are as follows:

**Certification of the Fiscal Officer** - Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purposes and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose over a three-month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 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 items.

**"Super" Blanket Certification of the Availability of Funds:** The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained 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 and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

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### Purchasing Process

(Continued)

Then and Now Certification - It is intended that the Clerk-Treasurer'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 a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. The Village Council has thirty days from 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. The Village Clerk-Treasurer may approve amounts less than \$1,000 without Council approval.

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

Bidding - All contracts calling for expenditures in excess of \$15,000 shall be in writing and made to the lowest and best bidder. Ohio Revised Code Section 731.14 requires that bids be opened and publicly read by the Clerk-Treasurer at the time, date, and place specified in the advertisement for bids. Ohio Revised Code Section 731.141 requires that bids be opened and publicly read by the Village Administrator for departments under the Administrator's supervision at the time, date, and place specified in the advertisement for bids. Council must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

- 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;
- Goods purchased through the Department of Transportation or under contract through a regional planning commission;
- Purchases from non-profit organizations that are funded by the federal government;
- Purchases from the non-profit organizations that serve people with severe handicaps;
- Participation in contracts entered into by the department of administrative services;
- Personal services of a specialized nature;
- Goods and services when only one source is available;
- 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;
- Purchases from other political subdivision and agencies; and,
- Goods purchased under the State Cooperative Purchasing Program.

# Village of Harveysburg - Warren County

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### Purchasing Process

(Continued)

**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.”

### **Method Utilized by the Village**

Village employees may purchase items and submit a receipt to the Clerk-Treasurer for reimbursement or have the vendor send an invoice to the Village. The Village Council may periodically authorize the purchase of goods or services.

### **Auditor of State Comments**

- The purchases of goods and services are not certified by the fiscal officer and documented by the use of a purchase order.
- Statutory bidding procedures are not consistently followed.
- Management’s approval for the purchase of goods and services does not exist.
- The Village does not have a manual documenting the purchasing procedures and the necessary authorizations.



# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Cash Disbursements

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

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. A check should only be prepared when it is supported by a completed voucher, the appropriate vendor information (I.R.S. Form 1099 data), a properly executed certification by the Clerk-Treasurer and the existence of adequate cash in the fund to pay the obligation. All checks should be signed by the Clerk-Treasurer 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 expenditure of funds:

**Warrants** - Expenditures may only be made by a proper warrant drawn against an appropriate fund. The warrant must show upon its face the appropriation from which the expenditure is made and the fund on which it is drawn.

**Restrictions** - Money is drawn from the Village treasury only for appropriations enacted by the Village Council. Appropriations from each fund may be used only for the purposes of such fund.

**Certification** - Each contract or order must be certified as to the availability of funds and a proper appropriation. If no certificate is furnished as required, upon receipt by the Village of a certificate of the Clerk-Treasurer 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 may authorize the drawing of a warrant in payment of amounts due upon such contract. The ordinance must be passed within thirty days from the receipt of such certificate. If the amount involved is less than one thousand dollars, the Clerk-Treasurer may authorize it to be paid without Council approval, if the expenditure is otherwise valid.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Cash Disbursements

(Continued)

**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, the account code, amount, approval, and any other required information.”

### **Method as Described by the Village**

Invoices for goods or services provided to the Village are forwarded to the Clerk-Treasurer’s office. Invoiced items are verified and approved for payment by those receiving the items. A voucher is prepared that reflects the payee, check number, date, amount, and space for the signatures of the Council members approving the expenditure. All vouchers ready for payment are held until the next bi-weekly Council meeting where they are reviewed and signed by three Council members. Checks are written by the Village Clerk-Treasurer. After the single form check is written, the Clerk-Treasurer enters the check number on the voucher and records the check in the cash journal. The Clerk-Treasurer files the vouchers numerically by check number.

### **Auditor of State Comments**

- The invoices are not recomputed for accuracy.
- Vouchers do not always clearly indicate the items, quantities, and unit cost of each item.

# Village of Harveysburg - Warren 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 Federal and State 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 Federal and/or State laws.

**Statutory Requirements** - The following State statutes apply:

Section 705.13, Revised Code, requires the legislative authority of a municipal corporation to, by ordinance, fix the salary of its members which shall be paid in equal monthly installments. For each absence from regular meetings of the legislative authority, unless authorized by a two-thirds vote of all members thereof, there shall be deducted a sum equal to two percent of such annual salary.

Section 731.13, 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 term of office.

#### **Method as Described by the Village**

New positions are posted and an application is filled out. Council reviews all applications and approves the appointment or hiring of new employees. There are eight regular employees and five paid police officers. The Magistrate and Solicitor are contractual employees. Pay rates are set by ordinance approved by Council.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Payroll Processing

(Continued)

The Clerk-Treasurer calculates the payroll for fifteen employees. Time sheets are not used since all employees are salary. After the payroll is calculated, the Clerk-Treasurer prepares a voucher and prepares a check with her signature. The Mayor, Building Administrator, Magistrate, Village Solicitor, and four police officers are paid monthly. The Clerk-Treasurer, Mayor's Court Clerk, Street Commissioner, Street Maintenance Supervisor, Police Chief, Police Captain and one police officer are paid by-weekly. Council members do not receive compensation.

The Clerk-Treasurer maintains a payroll ledger sheet for each individual employee of the Village. Information in the payroll ledger includes the employees' names, gross pay amounts, various deductions and net pay. The Clerk-Treasurer uses the payroll ledger to prepare each employee's W-2. Files are kept for each employee which includes resume, application and any courses taken. The W-2 and W-4 forms are filed separately, together with other personnel forms. Employees of the Village receive vacation leave based on how many years employed by the Village as follows:

- 1 - 4 years = 1 week of vacation
- 5 - 9 years = 2 weeks of vacation
- 6 - 14 years = 3 weeks of vacation
- 15 years or more = 1 month of vacation

The Village pays the employer's contribution to the Public Employees Retirement System quarterly and the employees' share is paid monthly to the Public Employees Retirement System (PERS). All Village employees pay into PERS with the exception of the Mayor who pays into Social Security. All withholdings are paid quarterly.

### Auditor of State Comments

- No council ordinance fixing the compensation and frequency of payment of the Village officials or employees could be located, except for the Mayor.
- The Village Clerk-Treasurer does not accrue or keep records of the paid leave benefits and there are no formal procedures or documentation for the use of leave benefits.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### 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 should be prepared by legal counsel and passed by Council. The statute authorizing the issuance should be identified in the ordinance as well as the purpose of the debt, the maturity, the lender, interest rate, and the source of revenue to be used for repayment.

Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing ordinance. Money to be used for debt payment may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

**Statutory Requirements** - Statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to Villages are found in Title 7. The Statutory requirements vary depending on the nature of the debt being issued.

#### Method as Described by the Village

The Village has two outstanding debt obligations. One is a renewal of the Motor Vehicle Acquisition Bond Anticipation Notes. The original amount of the notes was \$26,056.93, dated May 21, 1996. The notes have been rolled over five times and the current outstanding principal amount is \$9,640.98. The payments are divided into four annual payments of \$2,600. The other debt obligation is a contractual agreement between the Village and the Warren County Commissioners in which the Village transferred the operation of its water utility to the Warren County Water Department. The agreement states that an annual payment of \$8,000 is to be paid to Warren County until the total amount of \$68,368 is paid in full. The first payment of \$8,000 was made on February 4, 2000.

#### Auditor of State Comments

None

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Inventory of Fixed Assets

#### Description of an Effective Inventory of Fixed Assets

Fixed assets of the Village should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the Clerk-Treasurer. 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 Clerk-Treasurer.

**Administrative Code Requirements** - Section 117-2-02(D)(4)(c) of the Ohio Administrative Code, requires that all local public offices should maintain fixed 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. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Fixed 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 any records of its fixed assets.

# Village of Harveysburg - Warren 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 statutes. Investment transactions should be conducted in accordance with the policies adopted by the Clerk-Treasurer or Village Council. The deposits of public money should be insured and/or collateralized to ensure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

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

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

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

Section 135.14(O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is 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, Revised Code, requires the Village Clerk-Treasurer to attend annual training programs of continuing education for treasurers provided by the Treasurer of State.

Section 733.27, Revised Code, requires that the Village Clerk-Treasurer attend annual training programs of continuing education for Village Clerks provided by the Auditor of State.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Cash Management and Investing

(Continued)

#### Auditor of State Comments

- The Village Clerk-Treasurer, with the technical assistance from Auditor of State, reconciles the bank accounts to the cash journal.
- There are no depository contracts.
- The Clerk-Treasurer has not submitted a statement to the Auditor of State that the Village is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.



# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

The Clerk-Treasurer should periodically provide Council with the year-to-date revenues, expenditures, outstanding encumbrances, and available fund balances for each fund of the Village. In addition, information concerning the estimated and actual revenues, appropriations and expenditures plus encumbrances should be presented for Council's review. On an annual basis, the Clerk-Treasurer should prepare and publish combining and combined fund type 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, Revised Code, requires that the annual financial report be filed with the Auditor of State within sixty days after the close of the fiscal year for reports prepared on the cash basis of accounting. At the time that 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.

**Administrative Code Requirements:** Ohio Administrative Code Section 117-2-03(A)(2) requires that local public offices shall 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.

**Method Utilized by the Village:** The Mayor signs each page of the cash journal to vouch for its accuracy.

#### Auditor of State Comments

- Interim financial reporting to Council is not done by the Clerk-Treasurer.
- Council has not defined, by ordinance, the type of information that the Clerk-Treasurer should periodically provide.
- The Village did not file or publish an annual financial report for the years 1998 and 1999.

# Village of Harveysburg - Warren County

## Report on Accounting Methods

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### Recording Official Proceedings

#### Description of an Effective Method of Recording Official Proceedings

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

#### Statutory Requirements

Sections 731.20 through 731.24, Revised Code, address the passage, style, number of subjects, authentication and recording, and publication requirements of Council's legislation. In general, no ordinance, resolution, or bylaw shall contain more than one subject, which shall be clearly expressed in its title. The copy of the proposed ordinance must be filed with the Village Clerk-Treasurer and kept open for public inspection for ten days. Each bylaw, resolution, and ordinance is required to be adopted or passed by separate vote of the Council and the yeas and nays must be entered in the minutes. Ordinances, resolutions, and bylaws must be authenticated by the signature of the presiding officer and Clerk-Treasurer. Ordinances and resolutions must be published in an English-speaking newspaper once a week for two consecutive weeks or maintained in book form as described in Section 731.23, Ohio Revised Code.

#### Auditor of State Comments

- All annual financial data, including budgets, appropriations, required reports, etc., were not made a permanent part of the minute records.

# Village of Harveysburg - Warren 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, review of records, and discussions with Village personnel.

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

The Clerk-Treasurer is beginning to correct these problems and is taking an active role in working with the Auditor of State's Office. It is our opinion that while the current system is inadequate, it is improving.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**VILLAGE OF HARVEYSBURG**

**WARREN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 19, 2002**