



**Auditor of State
Betty Montgomery**

**Shelby City School District
Richland County, Ohio**

Report on Accounting Methods

Local Government Services Section

**Shelby City School District, Richland County
Report on Accounting Methods**

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CERTIFICATION

On April 7, 2005, the Shelby City School District was declared to be in fiscal emergency. Section 3316.10(A), Revised Code, requires that after the declaration of the existence of a fiscal emergency, the Auditor of State issue a report assessing the School District's methods, accuracy and legality of the accounts, records, files, and reports. This report shall indicate whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

Therefore, pursuant to Section 3316.10(A) of the Revised Code, a "Financial Accounting Report" is hereby submitted and certified to the Financial Planning and Supervision Commission and the Board of Education of the Shelby City School District.

Section 3316.10(A), Revised Code requires that the Board of Education of the Shelby City School District comply with the orders of the Financial Planning and Supervision Commission relating to the development of an effective financial accounting and reporting system by promptly bringing its existing system of financial accounting and reporting into compliance with Section 117.43 of the Ohio Revised Code.

BETTY MONTGOMERY
Auditor of State

A handwritten signature in cursive script that reads "Betty Montgomery".

September 7, 2006

Shelby City School District – Richland County

Financial Accounting Report

Purpose

As required by Section 3316.10(A), Revised Code, the Auditor of State "...shall issue a preliminary report with respect to the methods, accuracy and legality of the accounts, records, files and reports of the school district. This report shall state whether section 117.43 of the Revised Code and the requirements of the Auditor of State have been complied with..."

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the Shelby City School District, and (2) whether the current accounting system is in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing School District 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 Shelby City School District. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the adequacy of the accounting system. 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.

Shelby City School District – Richland County

Financial Accounting Report

Governance Overview

Shelby City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Prior to the School District being declared in a state of fiscal emergency, it was operated under a locally-elected five-member Board of Education (the Board).

On April 7, 2005, the School District was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. Commission membership is as follows:

1. The director of budget and management or a designee;
2. The superintendent of public instruction or a designee;
3. A resident of the School District with knowledge and experience in business appointed by the Mayor;
4. A local business person appointed by the Governor; and
5. A parent with a child enrolled in the School District appointed by the State superintendent of public instruction.

The Financial Planning and Supervision Commission, under Ohio Revised Code Sections 3316.06 and 3316.07, is given the authority to assume complete managerial control of the Shelby City School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Commission is to specify in the financial recovery plan the level of fiscal and management control that the Commission will exercise within the School District during the period of fiscal emergency and enumerate, respectively, the powers and duties of the Commission and the duties of the school board during that period.

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

1. Reviewing or assuming responsibility for the development of all tax budgets, tax levies and bond and note resolutions, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspecting and securing pertinent documents;
3. Reviewing, revising and approving determinations and certifications affecting the School District made by the county budget commission or the county auditor;
4. Bringing civil actions to enforce fiscal emergency provisions;
5. Implementing steps necessary to bring the accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
6. Assuming responsibility for all debt issues;
7. Making and entering into all contracts necessary or incidental to the performance of its duties;
8. Implementing cost reductions and revenue increases; and,
9. Developing a financial recovery plan.

The Commission has defined the level of fiscal management and control that the Commission will exercise within the School District during the period of fiscal emergency as required under Section 3316.06(A)(2) of the Ohio Revised Code. The complete role of the Commission has been addressed in the financial recovery plan adopted on August 23, 2005, and includes the power to approve contracts entered into by the Shelby City School District for personal services and employment contracts for all positions other than temporary positions and all purchases in excess of \$10,000.

Shelby City School District – Richland County

Financial Accounting Report

Governance Overview

(continued)

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 School District Board 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 Budget and Management, and the County Budget Commission, the activities of the Commission will be terminated. Upon termination of fiscal emergency and the Commission, all responsibility for the management of the School District will revert to the locally-elected Board.

Shelby City School District – Richland County

Financial Accounting Report

Budgetary Process

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 shall be raised, and how those financial resources shall be spent. Annually, a budget consisting of estimated revenues and expenditures for each fund for the next fiscal year should be presented to the school board with sufficient time for review and public input. The budget should identify the major sources of revenues and the programs, activities and major objects of expenditures. The budget should encompass current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the governing body, should be the basis for the appropriation measure. The appropriation measure should identify by fund 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 revenues and balances available for expenditure.

Statutory Requirements

The budgetary process 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 resolution.

Tax Budget: Prior to January 15, the Board is required to adopt an annual tax budget for the fiscal year commencing the following July 1. The budget should include proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings should be publicized and conducted to obtain taxpayers' comments. The primary purpose of this budget document is to demonstrate the need for existing (or increased) tax rates. By no later than January 20, the Board-adopted budget is filed with the county budget commission for rate determination.

Estimated Resources: Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's official certificate of estimated resources which includes the estimated beginning unencumbered fund balance and the estimated revenue of each fund. Prior to June 30, the school district must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year; however, any reserve balance account and the principal of any nonexpendable trust fund is to be excluded. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the school district treasurer.

Appropriations: Upon receipt from the county auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification stating no new certificate is necessary, the annual appropriation measure must be legally enacted by the Board. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the school district. The appropriations established for each fund must be within the most recent certificate as certified by the county budget commission and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter appropriations at the legal level of control must be approved by the Board. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

Shelby City School District – Richland County

Financial Accounting Report

Budgetary Process

(Continued)

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.

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.

Legal Level of Control: 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 Board appropriates. For school districts, Section 117-6-02 of the Ohio Administrative Code sets the minimum legal level of control at the fund level and recommends that a board of education pass appropriations at a more detailed level. The legal level of control is a discretionary decision to be made by the board based on the degree of control the board wishes to maintain over the financial activity of the school district.

Certification of Adequate Revenue: Certification of adequate revenues involves two types of certifications. Certification of routine items under Section 5705.41, Revised Code, is addressed in the Purchasing Process section of this report. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the school district's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the treasurer, superintendent, and president of the board of education. If the school district is in a state of fiscal emergency, the certificate shall be signed by a member of the school district's financial planning and supervision commission who is designated by the commission for this purpose. The certificate is to be attached to any qualifying contract and appropriation measure.

A qualifying contract means any agreement for the expenditure of money under which aggregate payments from the funds included in the school district's five-year forecast under Section 5705.391 of the Revised Code will exceed the lesser of five hundred thousand dollars or one percent of the total revenue to be credited in the current fiscal year to the school district's general fund, as specified in the district's most recent certificate of estimated resources.

A certificate of adequate revenues is also to be attached to each appropriation measure of the current year. The certification shall not consider the renewal or replacement of an existing levy in the current fiscal year unless the renewal or replacement levy has been approved by the electors and is available for appropriation in the current fiscal year. This certificate is not required to be attached to a temporary appropriation measure if (1) the amount appropriated does not exceed 25 percent of the total amount from all sources available for expenditure from any fund during the preceding fiscal year; (2) the measure will not be in effect on or after the thirtieth day following the earliest date on which the school district may pass an annual appropriation measure; and, (3) an amended official certificate of estimated resources for the current year, if required, has not been certified to the board of education under division (B) of section 5705.36 of the Revised Code.

Shelby City School District – Richland County

Financial Accounting Report

Budgetary Process

(Continued)

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to include five-year projections of revenues and expenditures in a spending plan. Under Section 3301-92-04 of the Ohio Administrative Code, school districts are to submit the projections to the Department of Education. The projection is to contain the information and be in a format prescribed by the Department of Education and Auditor of State. The projection includes three years of historical revenues and expenditures and a projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. The projection is filed upon the adoption of an annual appropriation measure, but no later than October 31. A school district is required to update its five-year projection between April 1 and May 31 and submit it to the Department of Education. Nothing precludes a school district from filing other updates to its five-year projection at any time in addition to the required filings.

The Ohio Administrative Code links the ability to certify under section 5705.412 of the Revised Code to the five-year forecast. Under Section 3301-92-05(E) of the Ohio Administrative Code, each school district shall maintain sufficient documentation to justify each certification made under section 5705.412 of the Revised Code, and must identify the actual date of certification. Each school district shall maintain a continuing record of the contracts that have been certified. This record includes, but is not limited to, vendor name, contract amount or contract amount allocated by year, purchase order number, and date. All information, records and documentation used to estimate available resources or any change made to the five year projection including, but not limited to, the current annual estimate of state funding, property tax calculations, fee schedules and average daily membership calculations shall be retained by the school district and be made available to the auditor of state or the independent public accountant at the time the school district is audited pursuant to Section 117.11 of the Revised Code.

The ability to certify under Section 5705.412 of the Revised Code is based on the current five-year projection. The assumptions underlying the decision to proceed with the obligation or contract to be certified must be the same assumptions supporting the amounts presented in the current five-year projection. If the revenue assumptions or the revenue estimates used to support the ability to certify under Section 5705.412 differ from the current five-year projection, the projection needs to be updated to reflect the new information. If the certificate is associated with a contract or obligation that results in additional costs or changes in the expenditure assumptions in the current five-year projection, the projection must be updated to reflect the new information. If adding the new expenditures created by an obligation or contract causes a fiscal year end deficit in the projection, then the obligation or contract may not be certified. Any change to the five-year projection must be approved by the board of education. Each school district must maintain sufficient documentation to support these changes.

Responsibility for the preparation of the forecast, the accuracy of the presented figures and the reasonableness of the assumptions on which they are based rests with the school district administration and the board of education. The automatic retrieval of historical data by the school district's accounting system does not relieve the school district of the responsibility for insuring that those numbers are reasonable and accurate.

Shelby City School District – Richland County

Financial Accounting Report

Budgetary Process

(Continued)

School District's Budgetary Process

Prior to January 15, the Board of Education adopts a tax budget for the fiscal year commencing the following July 1. The Treasurer prepares the tax budget and presents it to the Board of Education for adoption. This budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. A public hearing is held in January to obtain taxpayer comments. Agendas noting the public hearings are sent to the newspaper and posted on the School District's website. Once the budget is adopted, it is filed with the Richland County Budget Commission no later than January 20. The Budget Commission determines the amount of millage and calculates the estimate revenue generated by levies.

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the Richland County Budget Commission and receives the commission's official certificate of estimated resources. The official certificate of estimated resources as generated by the Richland County Budget Commission reflects estimated Ending Balances and Estimated Revenue Sources. The Treasurer revises the annual budget so the total contemplated expenditures from each fund during the ensuing fiscal year will not exceed the estimated resources as reflected in the original certificate of estimated resources.

After the close of the fiscal year, the Treasurer submits to the County Auditor the cash balance, outstanding encumbrances, advances not repaid, and carryover balance available for appropriation for each fund and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances from the preceding year.

The Board of Education adopts a temporary appropriation measure, at the fund level, prior to the start of the new fiscal year. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted prior to October 1 of the fiscal year and prior to receiving the 5705.38 certification from the County Auditor. The Treasurer submits all Board approved appropriation measures to the County Auditor.

The Board approved temporary appropriations are entered into the computer system after they are passed. If adjustments to the temporary appropriations are passed, they are also entered into the system after they are passed. After the permanent appropriations are passed, the School District enters the difference between the final temporary appropriations and the permanent appropriations to equal the appropriations on the permanent appropriation resolution. If adjustments to the permanent appropriations are passed during the year, they are posted to the system. The Treasurer submits changes to the appropriations to the Board as part of her monthly financial package. The financial package does not include a resolution specifically to amend appropriations.

The Treasurer reviews estimated revenues and appropriations monthly and documents that review by creating an estimated receipts and appropriations summary spreadsheet. This sheet summarizes the beginning balance, estimated receipts, and board approved appropriations for each fund. This sheet is updated and a request for an amended certificate is prepared if additional revenue has been received or if actual revenues will not meet the current estimate. When a new amended certificate is received, the new estimated revenue amounts are entered into the computer system.

Each year the Treasurer prepares a five-year forecast including assumptions that is approved by the Board of Education and filed with the State Department of Education by October 31. The forecast is updated and filed again by May 31. The Treasurer keeps the five-year forecast on file in her office with the documentation that was used to prepare the forecast.

Shelby City School District – Richland County

Financial Accounting Report

Budgetary Process

(Continued)

Prior to the end of the fiscal year, the Treasurer sends letters to various employees in the District, asking them to review all outstanding purchase orders that they are responsible for. Purchase orders with a zero balance or that will no longer be used are marked “closed” and are closed by the Treasurer. Purchase orders that are related to a contract or an invoice that will be paid at the beginning of the new fiscal year, remain open.

Auditor of State Comments

1. The School District should update its Policy Manual to include several items in the budgetary process. The first item is the legal level of control, the level at which the Board will adopt appropriations. At a minimum, appropriations must be adopted at the fund level for all funds. The Board, if it chooses, may require more detail such as function and/or object.

The policy manual should address the five-year forecast requirements, the filing requirement with the Ohio Department of Education, and the circumstances under which the Board wants its forecast updated during the fiscal year. The policy manual should also define the process by which the Board will review the forecast prior to adoption by Board resolution.

The initial allocation and subsequent re-allocations of Board approved appropriations are made at the discretion of the Treasurer. There is no control or documentation over the allocations. The policy manual should require the approval of the superintendent for the initial allocation and subsequent re-allocations of the Board appropriations and the treasurer should be responsible for recording the changes. The level of control should be at the fund, function, and object level within each building.

The policy manual should also require the Treasurer to report to the Board as part of the monthly report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken and how further occurrences will be avoided.

2. Section 5705.30, Revised Code, requires that public notice of the public hearing on the tax budget shall be given by at least one publication not less than ten days prior to the date of hearing in a newspaper having general circulation in the School District. The School District does publish a notice in the newspaper.
3. Section 5705.39, Revised Code, requires a certified copy of each appropriation resolution be sent to the County Auditor. The Treasurer should consult legal counsel to determine the correct method of providing a certified copy to the County Auditor.
4. The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Auditor (Refer to Auditor of State bulletin 98-012).
5. The School District did not file the five year forecast with the Ohio Department of Education by October 31, 2005.

Shelby City School District – Richland County

Financial Accounting Report

Budgetary Process

(Continued)

6. The Board-adopted appropriation measures did not have a certification of available revenues attached as required by Section 5705.412, Revised Code. Section 5705.412, Revised Code requires a certificate of available revenue be attached to each appropriation, except a temporary appropriation measure meeting certain criteria. Under Section 3301-92-05(E) of the Ohio Administrative Code, each school district shall maintain sufficient documentation to justify each certification made under section 5705.412 of the Revised Code, and must identify the actual date of certification.
7. The Board of Education approves changes or amendments to the appropriations as part of the monthly financial report prepared by the Treasurer. Changes to appropriations should be presented and approved separately in a resolution specific to appropriations.

Shelby City School District – Richland County

Financial Accounting Report

Revenue Activity

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 at least daily. A pre-numbered, multi-part receipt form or a system generated receipt form should be issued for any payment received by departments and/or buildings. The receipt should bear the name of the entity and reflect the date received, the payer, the amount, the purpose/nature of the receipt and the signature or name of the person preparing the receipt. Departmental and/or Building receipts should be summarized and remitted to the fiscal office daily. The fiscal office should issue pay-ins to those departments and/or buildings depositing daily collections to the fiscal office and for any payments received by the fiscal office. The pay-in forms should be multi-part, pre-numbered form that bears the name of the entity, the date received, the payer, the amount, the purpose/nature of the receipt, the account code and the signature or name of the person preparing the pay-in. Supporting documents should be attached to a copy of the pay-in and filed numerically or by payer. All pay-ins should be recorded in the cash journal and receipts ledger in a timely manner.

Statutory Requirements

Section 9.38, Revised Code provides that 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 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.

Section 3313.642 (C), Revised Code states boards of education may adopt rules and regulations prescribing a schedule of fees for materials used in a course of instructions, and prescribing a schedule of charges which may be imposed upon pupils for the loss, damage, or destruction of school apparatus, equipment, musical instruments, library material, textbooks, or electronic textbooks required to be furnished without charge, and for damage to school buildings, and may enforce the payment of such fees and charges by withholding the grades and credits of the pupils concerned.

School District's Receipt Process

The Treasurer's contract has been amended to allow her to work three days per week in the office and two days per week from home. Throughout the remainder of this report, duties that are described as performed by the Treasurer may also be performed by the Assistant to the Treasurer-Accounts Payable when the Treasurer is unavailable.

The School District receives revenue from both internal and external sources in the form of wire transfers, cash, money orders, and checks. External sources of revenue include amounts received from the State Department of Education, Richland County and various other State and Federal agencies. Internal sources of revenue include money collected for lunches served in the cafeteria, student activities, athletic events, and miscellaneous receipts collected at the various School District buildings. All employees who handle money are bonded by position through Travelers Casualty and Surety Company of America with the School District paying the cost of the coverage.

Shelby City School District – Richland County

Financial Accounting Report

Revenue Activity

(Continued)

For monies receipted outside the Treasurer's office, a pre-numbered one-part Deposit Receipt form is prepared as a pay-in by various School District employees including the athletics director, school building secretaries and cafeteria staff. The Deposit Receipt must be completed to include the amount to be deposited, the source of the money, and the account code to which the deposit should be posted. The Deposit Receipt is compared a copy of the deposit slip and is used by the Treasurer's office to input the information into the computer system to generate a system receipt. The Assistant to the Treasurer - Accounts Payable inputs all building receipts, except for cafeteria receipts. The Treasurer inputs all cafeteria receipts and monies directly received by the Treasurer's office, including foundation, property tax, and grants. When monies are directly received by the Treasurer's office, the information is entered directly into the computer system, and a system receipt is generated. No Deposit Receipt is completed for monies directly received in the Treasurer's office.

Revenues received by wire transfers are state foundation monies and grants from various Federal and State agencies. The remittance forms for electronic fund transfers are received in the mail from the payer. Property taxes are received by check from the Richland County Auditor. Monies received by cash are from student activities, athletics events and cafeteria. The Deposit Receipt and deposit ticket, which are prepared prior to taking the deposit to the bank, are used to post the deposit to the School District's accounting system which generates a system receipt upon entry which includes the amount of money received, the source of the money, the date and the account code.

All system receipt numbers are determined by the Treasurer or the Assistant to the Treasurer – Accounts Payable, as needed. The Treasurer's office has a listing of the starting receipt numbers for the various building and departments. The number assignments are assigned and documented on a Receipt Log form to keep track of what receipt numbers are actually used. This form is kept on file in the Treasurer's office. All system receipts are filed by receipt number in the Treasurer's office.

All monies received are deposited in the bank using a deposit ticket. Each school building is assigned a specific number range of deposit tickets. All deposit tickets are three part forms (white, yellow and pink). The white copy is included with the deposit and the yellow copy is sent to the Treasurer's office with the Deposit Receipt. The pink copy is kept by the depositor. Additionally, a photocopy of the front and back of all bank deposit slips received by the bank are included with the monthly bank statements.

The Assistant to the Treasurer – Accounts Payable takes all deposits for money received directly in the Treasurer's office to the bank. All other building deposits are taken to the bank by the building secretaries and cafeteria staff in a sealed, zippered bank bag. Deposits are made daily and Deposit Receipts are sent to the Treasurer's office daily. The Deposit Receipts are then used to post the receipts to the system.

Receipt of State Foundation: State foundation monies are wire-transferred bi-monthly to the School District's STAROhio account from the Ohio Department of Education. The foundation settlement sheets which identify the various sources of State aid are printed from the Ohio Department of Education's web page (www.ode.state.oh.us) by the Treasurer. The amount of the wire transfer is compared to the amount listed on the foundation settlement sheet by the Treasurer. The foundation settlements include restricted and unrestricted receipts, tuition payments from other school districts, and various other State payments to the School District. The Treasurer prepares a Foundation Distribution worksheet which is used for posting the various types of revenues and the deductions which are posted as memo expenditures. Memo expenditures are posted monthly. All settlement sheets are filed in the Treasurer's office along with the system receipts.

Shelby City School District – Richland County

Financial Accounting Report

Revenue Activity

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Receipts of Property Taxes: Upon receipt of the check and tax settlement sheets from the Richland County Auditor, the Treasurer prepares a Tax Settlement Distribution worksheet which identifies the account codes for the gross receipts and the deductions. The Treasurer then prepares a deposit slip and takes the check to the bank. The Treasurer also posts the transaction into the system which generates a system receipt. The settlement sheet and check amount are compared by the Treasurer to ensure the amounts are correct. All settlement sheets are filed in the Treasurer's office along with the system receipts.

Receipt of Grant Monies: The School District receives Federal, State, and local revenue in the form of restricted and unrestricted grants. All Federal and State grant monies are received by wire transfer and local grant monies are received by check. The Board authorizes the applications for all grants at the beginning of each fiscal year. The Board approves any new grants throughout the year. The Curriculum Director uses the Board approved application and completes a Comprehensive Continuous Improvement Planning (CCIP) Project Cash Request electronically. Upon receipt of the wire transfer remittance form from the grantor, the Treasurer posts the transaction to the system, generates a system receipt, and notifies the Curriculum Director. The Curriculum Director tracks which grant requests have been received and which ones are still outstanding. When monies are received by check, the Treasurer prepares a deposit slip, posts the transaction to the system which generates a system receipt, deposits the money at the bank, and notifies the Curriculum Director. The wire transfer remittances are kept with the system receipts in the Treasurer's office.

Athletic Event Receipts: The School District requires payment for attendance at several types of athletic events. The majority of ticket sellers are adults, but student sellers are used when adults are not available. The Athletic Director was given a check for \$1,200 to be used as a change fund a long time ago. The change fund has never been returned to the Treasurer's Office. The change fund is kept locked in a safe when it is not being used. A Gate Receipt Ticket Tally form is used to reconcile the cash received to the tickets sold. When a ticket is sold, a paper ticket is given to the buyer. The ticket must then be presented at the gate/door to gain entrance to the event. The ticket is given to the ticket-taker at the entrance. The ticket-taker tears the ticket in half and returns one-half of the ticket to the buyer. After all sales are completed, the ticket sellers are responsible for counting the money and filling out the Gate Receipt Ticket Tally form. This form includes the type of sporting event, opponent, date, ticket seller's name, gate number, ticket color (student vs. adult), ticket starting number, ticket ending number, number of tickets sold, price of ticket, total cash, beginning cash, and reconciled deposit amount. The unsold tickets, the money and the form are given to the Athletic Director immediately following the game. The Athletic Director recounts the money and compares the total to gate receipt ticket tally forms and re-computes the amount of the ticket sales. If any discrepancies occur, the amount of the discrepancy is noted on the form. The unsold tickets are kept in a locked file cabinet in the Athletic Director's office.

The Athletic Director fills out a deposit slip and takes the money to the bank. For football, receipts are deposited in a night deposit bag that night. For all other sports, receipts are deposited in a bank bag within twenty-four hours. If any money is held overnight, it is put in a safe in the Athletic Director's office until the next day when it is deposited. The Athletic Director also fills out a deposit receipt and sends it through inter-office mail along with a copy of the deposit slip to the Treasurer the next business day so that it can be processed. A copy of the deposit receipt and deposit slip are attached to the Gate Receipt Ticket Tally forms and filed in the Athletic Director's office. Once the Treasurer's office receives the deposit receipt and a copy of the deposit slip, the transaction is posted to the system and a system receipt is generated and filed in the Treasurer's office.

Shelby City School District – Richland County

Financial Accounting Report

Revenue Activity

(Continued)

Student Activity Receipts: If a student activity wants to have a fundraiser, the fundraiser must first be approved by the Superintendent. The student activity advisors must complete and submit a Sales Project Potential Form for each fundraiser which details the proposed project, time frame, and projected sales of the fundraiser. These forms are submitted for approval, and upon approval, the fundraiser may commence during the approved time frame. Once the fundraiser is completed, the reconciliation part of the Sales Project Potential Form detailing the amount of total sales, any goods not sold, and the amount being deposited with the Treasurer is completed by the student activity advisor. Documentation is attached verifying any goods that are returned, damaged or spoiled. The yellow copy of the deposit slip must accompany the reconciliation part of the Sales Project Potential Form. The student activity advisor must sign this form and submit it to the principal. Once the principal approves the form by signing it, the form and yellow deposit slip are submitted to the Treasurer for processing.

Upon completion of the activity, all student activity advisors are responsible for turning in monies received along with a deposit ticket which details the amounts for deposit to the building secretary who deposits the monies into the bank using a sealed, zippered bank bag. A duplicate deposit slip is used so that a copy of the deposit slip and a deposit receipt prepared by the student activity advisor can be provided to the Treasurer for processing. The deposit receipt includes the account code for posting the receipt. Upon receipt of the deposit receipt and a copy of the deposit slip, the Assistant to the Treasurer – Accounts Payable posts the deposit to the School District's computer system generating a system receipt which is filed in the Treasurer's office.

Receipt of Cafeteria Monies: A food service computer program is used to account for the sale of lunches at the elementary, middle and high schools. Personal identification numbers (PINs) are set up for each student when they enroll at the School District. Each student enters a PIN when purchasing breakfast or lunch. The PIN identifies whether or not the student is to receive a free or reduced priced lunch. Ala carte items are also sold.

All money received from students by the cashier in the lunch line is posted to the appropriate students' account. Students can pay daily or they can choose to prepay any amount. Elementary and middle school students may charge lunch if they do not have the cash with them or in their account that day. If a student has a negative balance in the system they are verbally warned by the cashier immediately. Balance statements are sent out at the end of each month by the Food Service Director for any student with a negative balance. The negative balance follows the student until they move out of the district or graduate.

The food service computer program tracks the activity in each student's account. As each student enters the food line, they enter their PIN into a keypad. After the student proceeds through line and selects their food, the cashier's computer screen displays the student's name, photo, and balance on their account. The cafeteria cashier compares that the student matches the photo on the screen and enters what the student purchased. The total is deducted from that student's amount available according to the system. If any error is made by the cashier when entering the purchase, the Food Service Director is contacted and corrects the error in the system.

At the end of each day, the cashiers' count the currency in their drawer and enter the individual amounts into the computer system. The system reconciles the currency entered at the end of the day to the sales for the day and generates a Cashier Closing Sheet. The system also sorts the sales information into the CN-6 and CN-7 report format which shows the amount received for each breakfast and lunch category. The Cashier Closing Sheet indicates any surplus or shortage between the sales and the currency entered by the cashier. A Sales Journal which contains the student name, PIN number, amounts paid, date, and time is also printed. The Cashier Closing Sheet and Sales Journal are printed and any significant overage or shortage is explained on the Sales Journal. Next, the cashier prepares the deposit slip in triplicate; one copy goes to the bank and two

Shelby City School District – Richland County

Financial Accounting Report

Revenue Activity

(Continued)

copies go to the Food Service Director. The cashier takes the deposit slip and the currency to the bank in a zipper bag after leaving the school for the day. The second copy of the deposit slip is attached to the Cashier Closing Sheet and sent to the Food Service Director who compares the total against the total on the CN-6 or CN-7 reports generated by the system. The deposit slips are numbered individually for each school.

At the end of each month, the bank electronically transmits the cafeteria deposit information to the Treasurer. The Treasurer uses a spreadsheet to sort the data by school and posts a receipt for the total cafeteria receipts for the month. The Treasurer sends this spreadsheet to the Food Service Director, who reconciles the total deposits for each school to the amounts on the CN-6 and CN-7 reports that are generated from the cafeteria computer system. Any errors on the CN-6 or CN-7 are corrected to match the cash amounts. The Food Service Director then prints the reconciled breakfast CN-6 and lunch CN-7 monthly reports from the food service computer program and submits it to the Ohio Department of Education for reimbursement.

Miscellaneous Receipts: Miscellaneous receipts include, but are not limited to, various school fees, damaged book fines, damaged property fines, facility rentals and sale of capital assets. The assistant principal sets the fines for damaged books. The fines are based on the replacement or repair cost of the damaged book. School fees and fines for are received by the building secretaries. Student class fees are presented on their class schedule. The building secretaries keep track of each student's outstanding balance by a spreadsheet. A manual process is used to track the amount students owe based on Board approved fee schedules. A file is kept for each student who has fees or fines. The building secretary, upon receiving the fee and/or fine money, prepares a deposit receipt and a deposit slip and takes the money to the bank with their daily bank deposits in a sealed, zippered bank bag. The deposit receipt is sent to the Treasurer's office. The Assistant to the Treasurer - Accounts Payable posts the deposit receipt to the system generating a system receipt. The School District also rents out their facilities to various community groups based on a rate schedule that is in the School District's "Community Use of School Facilities" board policy. All sales of capital assets are pre-approved by the Board. Once the Board has approved the sale of a capital asset and the sale has taken place, the money is received by the Treasurer's office, usually in check form. The Treasurer prepares a deposit receipt and posts it to the system generating a system receipt. The Treasurer then takes the money to the bank to deposit. Upon return, the deposit slip is filed in the Treasurer's office with the system receipt.

Auditor of State Comments

1. The School District does not have written procedures for the receipt of money. The Treasurer should document the procedures to be followed for the receipt and deposit of money and to demonstrate compliance with Board policies.
2. The Gate Receipt Ticket Tally form used to account for the collection of money for extracurricular activities should have a place designated on it for a signature by the person responsible for preparing the form.
3. A policy should be implemented to ensure that discrepancies from ticket sales are documented and dealt with in a consistent manner.

Shelby City School District – Richland County

Financial Accounting Report

Revenue Activity

(Continued)

4. The Athletic Director does not return the change fund to the Treasurer's Office at the end of each year. The money for the change fund should be returned to the Treasurer's Office at the end of each school year and re-issued to the Athletic Director at the beginning of the next school year.
5. The School District's Board policy for student activities states that each student activity advisor shall submit to the Superintendent, by October 1 of each year, the following: a policy and/or purpose which will define the organization, the source of the activity's revenues, and the reasons for which the activity's funds will be spent. The Board policy should be followed. No form or document is being submitted for each student activity to be approved each fiscal year.
6. Cafeteria receipts are posted in a monthly lump sum amount. Cafeteria receipts should be reconciled and posted on a more timely basis.
7. Before any errors on the CN-6 or CN-7 are corrected, they should be researched and documented to substantiate the change.

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Financial Accounting Report

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. The process should be integrated with the budget to ensure compliance with Board adopted policies. The process should include selection of the vendor with the best price as well as authorization to proceed with the purchase by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds stating that adequate receipts and unencumbered appropriations are available. Purchase orders should be used for all non-payroll transactions, and should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Statutory Requirements

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

Certification of the Fiscal Officer: Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the portion of the obligation to be performed in the fiscal 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 encumbrance. 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 that do not extend beyond fiscal year end in an amount established by the board of education. 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 items or for unanticipated emergencies.

“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 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, 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.

Then and Now Certification: It is intended that the 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. Payments greater than \$3,000 are to be approved by resolution of the Board of Education.

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Purchasing Process

(Continued)

Major Contracts: Section 5705.412, Revised Code, provides definitions for qualifying contracts and states that no school district shall make any qualifying contract or increase any wage or salary schedule unless there is a signed certificate (412 Certificate) attached thereto that the school district has sufficient revenue to enable the school district to maintain all personnel and programs for a specified number of days. A certificate attached to any qualifying contract shall cover the term of the contract; a certificate attached to a wage or salary schedule shall cover the term of the schedule. The certificate shall be signed by the treasurer, and president of the board of education and the superintendent of the school district, unless the school district is in a state of fiscal emergency, in which case the certificate shall be signed by a member of the district's financial planning and supervision commission.

Obligations that do not have a certificate of adequate revenues as required are considered void and no payments may be made on void obligations.

The following certification requirements also regulate purchases by school districts; however, determination must be made whether the contract is subject to Section 5705.412, Revised Code.

Per Unit Contracts: Where contracts are entered into on a per unit basis, only the amount estimated to become due in the current fiscal year needs to be certified (1987 Op. Atty. Gen. 87-069).

Contract or Lease Running Beyond the Termination of the Fiscal year Made: Pursuant to Section 5705.44, Revised Code, where a contract or lease runs beyond the termination of the fiscal year in which it is made, only the amount of the obligation maturing in the current fiscal year needs to be certified. The remaining amount is a fixed charge required to be provided for in the subsequent fiscal year's appropriations.

Bidding: School District contracts to build, repair, enlarge or demolish any school building in excess of \$25,000 are to follow the competitive bidding requirements in Section 3313.46, Revised Code. Items not requiring competitive bidding include:

1. Educational materials used in teaching;
2. Computer hardware and software used for instructional purposes;
3. Any item that is available and can be acquired only from a single source (this exception requires the board to adopt a resolution by a 2/3 vote that this is the case); and,
4. Energy conservation measures (with certain restrictions provided by statute).

Findings for Recovery Database: Effective January 1, 2004, Ohio Law (ORC 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 any person against whom a finding for recovery has been issued by the Auditor, if that finding is unresolved.

The Auditor of State has established a database pursuant to Section 9.24, Revised Code, in order to list all persons who have unresolved findings for recovery, dating back to January 1, 2001. To comply with Section 9.24, Revised Code, the Auditor of State's office recommends that before entering into a public contract as described above, a state agency or political subdivision verify that the person does not appear in this database.

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Financial Accounting Report

Purchasing Process

(Continued)

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

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 are made.”

School District’s Purchasing Process

Contracts which exceed \$25,000 are given to the Superintendent to make the necessary arrangements for public bidding. At the bid opening, the Treasurer receives and records all bids. When feasible, contracts under \$25,000 but more than \$7,500 are based on price quotations submitted by at least three vendors. The Treasurer sends the information to the Superintendent who reviews the information and makes a recommendation to the Board. The Board, by resolution, awards the contract and the treasurer signs the contract. For major contracts, the Treasurer prepares a 412 Certificate which certifies that the School District has sufficient revenue to support those contracts. However, 412 certifications were not completed for the School District’s current union contracts.

When goods or services are required, an employee must complete a purchase requisition. If an employee does not have access to the requisition system, a manual purchase requisition form is completed. If an employee has access to the requisition system, an on-line purchase requisition is completed. Both the manual and on-line requisitions include the vendor, date of request, type, and quantity of items requested, price, and account to be paid from. Once a system requisition is entered, it is printed by the person entering it. All system requisitions and manual requisitions are approved by the building principal. The approved requisitions are sent to the Assistant to the Treasurer - Accounts Payable. The Assistant to the Treasurer - Accounts Payable then circulates the requisitions to the Treasurer. The Treasurer verifies that sufficient appropriations are available and signs the requisition. If there are not sufficient appropriations, the treasurer must reallocate existing appropriations or request an increase of appropriations by the Board. The approved requisitions are sent to the Superintendent for approval.

Upon approval by the Superintendent, the Assistant to the Treasurer - Accounts Payable creates a purchase order in the system by entering the information from the requisition form or by transferring the information from the on-line requisition. The purchase order is printed with the electronic signatures of both the Superintendent and the Treasurer. The purchase order also contains the Treasurer’s certification. The Assistant to the Treasurer - Accounts Payable then circulates the printed purchase orders to the Superintendent and Treasurer. The Superintendent and the Treasurer must then date the purchase orders next to their respective electronic signatures to show their approval of the purchase order.

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Financial Accounting Report

Purchasing Process

(Continued)

The purchase order is a four-part form with white, yellow, green, and pink copies and is distributed by the Assistant to the Treasurer – Accounts Payable in the following manner:

1. The white (original) copy of the purchase order is mailed, faxed or hand delivered to the vendor.
2. The yellow copy of the purchase order is attached to the requisition and is filed in the Treasurer's office.
3. The green copy of the purchase order is sent to the building that the requisition originated from and is used to verify the goods or services requisitioned.
4. The pink copy of the purchase order is also sent to the building that the requisition originated from and is kept on file for their records. However, if the appropriations are for Federal or State programs, then the pink copy of the purchase order is kept in the Treasurer's office. In this instance, the building secretary must make a photocopy of the green copy of the purchase order to keep for their filing.

The School District purchases goods and services with blanket purchase orders as needed. Blanket purchase orders are limited to the four quarters in the fiscal year with no dollar limit. No "super" blanket purchase orders are currently used.

"Then and Now" purchase orders are used when the goods are received prior to requesting a purchase order. When this occurs, the Assistant to the Treasurer - Accounts Payable stamps the purchase order "Then and Now." The Assistant to the Treasurer - Accounts Payable gives the stamped purchase order to the Treasurer for approval. The Treasurer only approves the use of a "Then and Now" purchase order if the purchase is reasonable and appropriations are available both now and at the time of the order. If not, the amount is not approved and the employee who made the purchase is responsible for payment.

When someone wants to use a new vendor, they must contact the Treasurer's office. New vendors are recorded on Vendor Request forms which are on file in the Treasurer's office. The Assistant to the Treasurer - Accounts Payable fills out the vendor request form which includes the name, address, phone number and 1099 information. The Assistant to the Treasurer - Accounts Payable verifies that new vendors have no outstanding, unpaid findings for recovery issued by the Auditor of State. The verification is completed by performing a search on the Auditor of State's web site for unresolved findings for recovery. The search results are printed and attached to the Vendor Request Form. If the vendor appears in the unresolved findings for recovery database, the vendor request form is returned to the employee. If no findings exist, a vendor number is assigned and sent to the person requesting the new vendor.

Outstanding purchase orders are reviewed every month by sending an "Outstanding Purchase Orders" report to each school building. If a purchase order can be closed, the appropriate person at the school building contacts the Treasurer's office to have it closed. Any unneeded purchase orders are cancelled along with the corresponding encumbrances. The quarterly blanket purchase orders are closed once the last payment for that quarter is made.

Shelby City School District – Richland County

Financial Accounting Report

Purchasing Process

(Continued)

Auditor of State Comments

1. The School District should provide 412 certificates signed by the treasurer, superintendent and Board president for all negotiated agreements, salary schedules and construction contracts. The “412” certificates should be signed at the time the contract was approved by the Board or no later than the time the contract is signed. The only “412” certificate that School District had was for an insurance contract.
2. The School District should update the Board Policies for purchasing to address the involvement of the Treasurer and Superintendent, the use of super blanket purchase orders, the statutory certifications by the treasurer including “Then and Now” certifications, the use of quotes from vendors and for enforcing responsibility of purchases made without approval.
3. Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the board of education. The board of education should set by resolution the maximum dollar amount for blanket certifications.
4. The unresolved findings for recovery database of the Auditor of State is checked when a new vendor is added. No other verification of outstanding findings for recovery is performed for those vendors used by the School District. The School District should perform the search for all a contracts 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 the requirements of Section 9.24 of the Ohio Revised Code.

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Financial Accounting Report

Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the School District. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who received the goods and 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 accounts codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. 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 Treasurer. All checks should be promptly signed by the Treasurer, posted in the appropriate accounting records, and mailed to the vendor in sufficient time to avoid penalties and receive discounts. Vouchers should be filed numerically or by vendor. No invoices for payments should be processed that were not properly certified unless the Treasurer is able to execute a then and now certificate. Sufficient safeguards should be in place to ensure that one individual does not have total control over the receipt of goods, processing of invoices for payment, issuance of checks and the reconciliation of bank accounts.

Statutory Requirements

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

Restrictions - Money is drawn from the school district treasury only on appropriations enacted by the board of education. Appropriations from each fund may be used only for the purposes of such fund. Under Section 3313.51, Revised Code, no moneys of a school district shall be paid out except on a check signed by the Treasurer. The Treasurer shall preserve all vouchers for payment for a period of ten years (Section 3313.29, Revised Code) unless copied or reproduced according to the procedure prescribed in Section 9.01 of the Ohio Revised Code.

No Certification - If no certificate of available funds was furnished as required, upon receipt by the Board of a certificate of the 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 Board may authorize the drawing of a warrant 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 three thousand dollars, the Treasurer may authorize it to be paid without such affirmation of the Board if such expenditure is otherwise valid.

Section 3313.18, Revised Code, states that "...if the board of a city, exempted village, or local school district or governing board of an educational service center by a majority vote of its members has adopted an annual appropriation resolution, then such board may, by general resolution, dispense with the adoption of resolutions authorizing the purchase or sale of property, except real estate, the employment, appointment, or confirmation of officers and employees, except as otherwise provided by law, the payment of debts or claims, the salaries for superintendents, teachers or other employees, if provision therefore is made in such annual appropriation resolution, or approving warrants for the payment of any claim from school funds, if the expenditure for which such warrant is issued, is provided for in such annual appropriation resolution."

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Financial Accounting Report

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.”

School District’s Cash Disbursement Process

The Treasurer’s office has the responsibility to ensure that goods and services are received prior to payment. The majority of invoices are received directly by the Treasurer’s office; however, occasionally some invoices will arrive at the school buildings. When this occurs, the invoice is sent to the Treasurer’s office through inter-office mail. Goods are received by the various buildings. The building employee receiving the goods first verifies the goods received to the packing slip. If the packing slip is not available, the goods are verified to the green copy of the purchase order. Once the goods or services have been verified as received at the various buildings, the green copy of the purchase order is stamped “received,” signed, and dated by the building employee who received the goods and sent to the Assistant to the Treasurer – Accounts Payable. The Assistant to the Treasurer - Accounts Payable verifies that the green copy of the purchase order has been initialed/signed and dated. It is filed until the invoice is received. Once the invoice is received, the purchase order is also compared to the invoice to ensure that the amounts for that order are correct. The items, quantities, and unit price on the purchase order are compared to the invoice. If an invoice is wrong, the Assistant to the Treasurer - Accounts Payable investigates why there is a difference and contacts the vendor to notify the vendor of the error. The error is then resolved.

If the order has not been received in full, then payment is not made until the entire order is received. In this case, the invoice is attached to the purchase order and held by the Assistant to the Treasurer – Accounts Payable. Once the remainder of the order is received, the payment is processed. If the invoice amount exceeds the purchase order amount by 5 percent or more, the purchase order will be stamped “invoice exceeds PO by greater than 5 %” and have to be approved by the Treasurer before any payment is made; however, if the invoice amount exceeds the purchase order by less than 5 percent, the invoice is paid in full and the existing purchase order is marked complete.

The Assistant to the Treasurer - Accounts Payable prepares a computer generated voucher form by entering the vendor, account code, invoice number, purchase order number, and amount of the invoice. Once the voucher information is entered into the system, the Assistant to the Treasurer - Accounts Payable prepares the “Voucher for Warrant Check” form for each vendor which lists the purchase order number/numbers and amount/amounts to pay by vendor. The Assistant to the Treasurer - Accounts Payable then prints out an “Outstanding Invoices – Vendor Number Sequence” report from the computer system and recalculates the total on the computer generated report to ensure that it matches the total on the “Voucher for Warrant Check” form. Once reconciled, the “Outstanding Invoices – Vendor Number Sequence” report is given to the Treasurer for approval before the checks are printed.

Checks are processed bi-weekly in the Treasurer’s Office. The Treasurer approves payment by signing the report and gives it back to the Assistant to the Treasurer - Accounts Payable. The Assistant to the Treasurer - Accounts Payable prints the checks from the system, compares the printed check amounts to the “Voucher for Warrant Check” form totals, mails the check along with the remittance form, and assembles the voucher packets. The voucher packet includes the white copy of the check, the “Voucher for Warrant Check” form, the invoice, the yellow copy of the purchase order, the requisition form, the packing list (if available), and the

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Financial Accounting Report

Cash Disbursements

(Continued)

green copy of the purchase order. All voucher packets are kept in a filing cabinet in the Treasurer's office and filed numerically by check number. All checks are signed electronically by the printer. The electronic check signer is accessed by key only. There are two keys which are kept in a safe in the Treasurer's office which must be inserted to the printer for the electronic signature function to work. Only the Treasurer and the Assistants to the Treasurer have access to the keys.

After checks are printed, the Assistant to the Treasurer - Accounts Payable also runs a CHEKPY report which lists the check number, date issued, vendor, vendor number, and check amount of the checks that were processed. These reports are kept and filed in the Treasurer's office.

All checks are three-part and are distributed in the following manner:

1. The original copy of the check is sent to the vendor along with the remittance form for payment.
2. The white copy of the check is attached to the voucher packet and filed in the Treasurer's Office.
3. The yellow copy of the check is sent to the building that the requisition originated from for their records.

The Board is given a check register report at each Board meeting that contains detailed information for all of the checks that were paid that month in order for them to approve them.

If a check is voided, the check is stamped "VOID" and the signature block is removed. The voided checks are filed in numerical order with the vouchers in a filing cabinet in the Treasurer's Office.

Auditor of State Comments

1. The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received, for when an invoice exceeds the purchase order/fiscal officer certification of funds, and for when the use of "Then and Now" certifications is necessary. The document should be kept on file in the Treasurers' office.
2. Each month a Check Register report is made available to the Board. However, the Board policy states, "...at each regular meeting the Board will receive a resolution which lists bills paid from school funds." No resolution is presented at the regular Board meetings. Nowhere do the minutes reflect that the Board has approved any bills paid from school funds. The Board policy must be followed, and the minutes should reflect such action. The Treasurer should review with legal counsel, Section 3313.18, Revised Code, to determine how to comply with its requirements.
3. The Treasurer does not review any checks after they are printed and electronically signed. The Treasurer should review printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.

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Financial Accounting Report

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 employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current contracts, information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

Statutory Requirements: The following State statutes apply:

Section 5747.06, Revised Code, requires collection of Ohio income tax by employers.

Sections 3307.01, 3307.381, 3307.51, 3307.53, and 3307.56, Revised Code, for the State Teachers Retirement System (STRS) and Sections 3309.23, 3309.341, 3309.47, and 3309.49, Revised Code, for the School Employees Retirement System (SERS), require school districts to enroll most of their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate retirement system the amounts withheld, matched with an appropriate percentage for employer contributions.

Section 3317.12, Revised Code, for non-teaching school employees and Section 3317.14, Revised Code, for teachers, requires school districts participating in the school foundation program to annually adopt a salary schedule for non-teaching school employees and a salary schedule for teachers.

Section 3319.141, Revised Code, for certified school employees and Section 3319.084, Revised Code, for classified employees, provide for minimum vacation and sick leave to be granted to affected employees, and indicates the procedures for paying the employees for leave balances credited to them upon separation from service. However, bargaining agreements may grant more or less leave time.

Section 3319.12, Revised Code, requires each board of education to give notice annually, not later than the first day of July, to each teacher who holds a contract valid for the succeeding school year, of the salary to be paid during that year. The salary shall not be lower than the salary paid during the preceding school year unless such reduction is part of a uniform plan affecting the entire district.

Section 124.01, Revised Code, defines "Civil service" to include all offices and positions of trust or employment in the service of the state and the counties, city health districts, general health districts, and city school districts thereof. The board of education is required to follow the civil service commission rules for the appointment and termination of classified employees, and their conditions of employment.

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Financial Accounting Report

Payroll Processing

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Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The classified employees of the Shelby City School District are represented by the Shelby Association of School Support OEA/NEA. The civil service jurisdiction extends to the initial employment of bus drivers, clerical, custodial, maintenance, and cafeteria workers. After the commencement of employment, the terms and conditions of employment for these employees are governed by the terms of the negotiated agreement with the employees and the content of the contract may vary with civil service requirements.

The following additional code sections provide authority for appointment and compensation of officials and employees of a school district. Section 3311.19 and 3313.12, Revised Code, for school board member compensation and mileage; Section 3313.24, Revised Code, for compensation of school treasurers; Section 3319.01, Revised Code, for appointment and duties of the superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other school administrators; and Section 3319.08, Revised Code, for teacher employment and reemployment contracts; Section 3319.10, Revised Code, for employment and status of substitute teachers.

School District's Payroll Processing Procedures

The School District's pay period for all employees begins on Sunday and ends on Saturday, fourteen days later. Employees are paid on Friday, thirteen days after the pay period ending date. Payroll is processed on a bi-weekly basis for approximately 300 full and part-time employees. Certified employee's annual contract amount is paid over twenty-six bi-weekly pay periods.

All supplemental and extra pay for employees, including longevity and bonuses, are spread over the 26 pay periods. Employees receive an earnings statement with each pay that indicates gross and net earnings, withholdings (year-to-date and for the pay period) and leave usage during the pay period and leave balances as of the end of the pay period.

Payroll checks are kept in a locked cabinet in the Assistant to the Treasurer - Accounts Payable's office. Access to the cabinet is limited to three employees in the Treasurer's office and the cabinet is locked when the administration building is closed. All checks are signed electronically by the printer. The electronic check signer is accessed by key only. There are two keys which are kept in a safe in the Treasurer's office which must be inserted to the printer for the electronic signature function to work. Only the Treasurer and the Assistants to the Treasurer have access to the keys.

All employment applications are received and kept on file by the Superintendent's Secretary. Recommendations for employment are made to the Board of Education by the Superintendent and are recorded in the minutes by the Treasurer. Once employed, copies of all employee records, such as transcripts, licenses, and evaluations, are kept in the Superintendent's office.

Classified employees are paid at an hourly rate based on a set number of hours per position and include the cafeteria workers, educational aids, custodians, transportation staff, crossing guards, sweepers, and secretaries. These rates are based upon amounts set forth in the negotiated agreements. A time sheet is completed each pay period by the classified employees. The time sheet is submitted to the employee's immediate supervisor. After the employee's supervisor approves the time sheet, it is forwarded on to the Assistant to the Treasurer - Payroll. The Assistant to the Treasurer - Payroll reviews the time sheet, verifying

Shelby City School District – Richland County

Financial Accounting Report

Payroll Processing

(Continued)

mathematical accuracy, and leave usage to leave approval. The Assistant to the Treasurer – Payroll resolves any discrepancies found on the timesheet with the supervisor and the employee prior to processing.

Overtime earned is paid in the pay period following the pay period in which it was earned for all employees. The overtime is recorded on an hourly pay sheet. The hourly pay sheet is reviewed and signed by the employee's supervisor and the Superintendent. It is then forwarded to the Assistant to the Treasurer - Payroll who calculates the overtime pay amount and enters it into the payroll system. Any discrepancies found on the timesheet are resolved with the supervisor and the employee prior to processing.

Administrators: Administrative contracts are prepared by the Treasurer based upon contract provisions approved by the Board of Education. These contracts establish the annual rate of pay, annual vacation days to be credited, and job duties and expectations for each employee. In addition, the contracts state that the Board will provide the employee with a \$100,000 term life insurance policy and all other benefits at least equal to those provided for certified staff. The contracts are reviewed and approved by the Board of Education. Contracts for the Superintendent and Principals typically run from August through July of the subsequent year. The Treasurer's contract runs from January 1 through December 31. Contracts are paid over twenty-six pays. The signed contracts are kept on file in the Superintendent's office.

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Shelby City School District and the Shelby Education Association OEA/NEA. The present negotiated agreement covers the period of July 1, 2003 through June 30, 2006. The negotiated agreement establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the negotiated agreement identifies the annual amount of personal leave to be credited and sick leave accrual amount for certified employees. Certified employees do not earn vacation.

Individual teacher contracts are prepared for certified teaching staff by the Superintendent's Secretary. Prior to preparing the contracts, the Superintendent's Secretary verifies that the teacher has a valid teaching license. The licenses are kept on file in the Superintendent's office. Certified employees are given a one-year contract for their first year with the School District. Upon reemployment for the second year, the employee is given another one-year contract. Upon completion of this contract, the School District gives the employee a two-year contract. Next the employee is given a three-year contract. Finally, after the completion of the three-year contract, the School District will give the employee a continuing contract which is in effect until the School District or employee terminates the employment. After an employee has entered into a continuing contract, only a salary notification letter is mailed to the employee in the following years.

The teachers' contracts are normally mailed in May prior to the end of the school year. The contracts set forth the annual rate of pay. The contracts are effective for the school year or years stated in the contract. The contract amounts are taken from the "salary tablet" spreadsheet, which is a listing of all employees maintained by the Superintendent's Secretary. Before any contracts are mailed out, they are approved by the Board and signed by both the Treasurer and the Board President. As the Treasurer signs each contract she checks the salary amount to the "salary tablet" spreadsheet that she maintains. Any discrepancies are resolved with the Superintendent's Secretary before the contract is signed and mailed.

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Financial Accounting Report

Payroll Processing

(Continued)

From the Treasurer's salary tablet, the Assistant to the Treasurer - Payroll enters the contract amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays and payment occurs from the first pay date in September until the last payroll in August. The contracts are kept in individual employee files in the Superintendent's office. The Treasurer spot checks the contract amounts entered by the Assistant to the Treasurer - Payroll to the salary tablet, using the NEWSUM report. The only time that contracts are adjusted during the year is when a certified employee's degree status changes. These adjustments are done twice a year after presentation of evidence from an accredited institution of higher education.

The Superintendent's Secretary is responsible for preparing supplemental contracts. These contracts are issued at the same time regular certified contracts are issued for regular employees who continue to fill the supplemental position. The Board of Education approves the supplemental contracts before they are mailed to employees. All supplemental contracts with regular employees are paid over twenty-six pays, unless the supplemental activity is begun after the commencement of the regular employee's main contract, in which case it will be paid over the remaining number of pays in the main contract. Any supplemental contracts granted to someone other than a regular employee are paid in a lump sum after the contracted duties are completed.

Classified Employees: The classified employees' salaries and benefits are governed by a contract negotiated between the Shelby City School District and the Shelby Association of School Support OEA/NEA. The present contract covers the period from July 1, 2003 through June 30, 2006. The contract sets forth hourly rates for all classified positions. The contract sets forth the sick leave accrual amount, and the amount of vacation and personal leave to be credited annually. In addition, the contract defines overtime for each position and the rate of compensation for overtime. Employees are considered full time if they work forty or more hours per week.

Salary notices are prepared for classified staff by the Superintendent's Secretary. The salary notices are normally mailed in May prior to the end of the school year. The salary notices establish the hourly or annual rate of pay for each employee. The pay amounts are taken from the "salary tablet" spreadsheet, which is a listing of all employees maintained by the Superintendent's Secretary. Before any salary notices are mailed out, they are approved by the Board and signed by both the Treasurer and the Board President. As the Treasurer signs each salary notice she checks the salary amount to the "salary tablet" spreadsheet that she maintains. Any discrepancies are resolved with the Superintendent's Secretary before the salary notice is signed and mailed.

From the Treasurer's salary tablet, the Assistant to the Treasurer - Payroll enters the annualized salary (hourly rate times regular work hours) amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays and payment occurs from the first pay date in September until the last payroll in August. The salary notices are kept in individual employee files in the Superintendent's office. The Treasurer spot checks the salary amounts entered by the Assistant to the Treasurer - Payroll to the salary tablet, using the NEWSUM report. The contracts are reviewed and approved by the Board of Education. Contracts for classified staff typically run for twelve months from July 1 to June 30 of the subsequent year and are paid over twenty-six pays. The signed contract is kept on file in the Superintendent's office.

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Financial Accounting Report

Payroll Processing

(Continued)

Leave: Vacation is credited to each classified employee monthly while personal leave is credited annually as indicated in the respective certified and classified negotiated agreements or in each administrator's contract. Although established by negotiated agreements, all employees currently receive the same amount of sick leave which is accrued monthly at the rate of 1.25 days for each calendar month. Vacation, personal, and sick leave usage is posted in the payroll system by the Assistant to the Treasurer - Payroll according to the amount of time on leave forms. The system updates the balances automatically.

Employee leave forms must be completed for an employee to use vacation, professional, sick or personal leave. Other forms of leave available to employees are jury duty, bereavement leave, and assault leave. The type of leave desired, the hours to be used and the date is completed on the leave form which is submitted to the employee's immediate supervisor. The supervisor, department head or principal approves leave requests prior to the employee taking the leave, or if the leave is unplanned, the supervisor or principal will approve the leave upon the employee's return. If a substitute is needed for the employee taking leave, the name of that substitute and their hours worked are written on the leave form by the building secretary. After being approved by the supervisor or principal the form is sent to the Assistant to the Treasurer - Payroll for processing.

The building secretary at Dowd Elementary calls substitute teachers when they are needed and maintains a log of when they worked. This log is a backup to the time on the approved teacher leave forms. The Assistant to the Treasurer – Payroll creates a substitute log from the information on the teacher leave forms. The Assistant to the Treasurer – Payroll marks the substitute log as it is used to post the hours worked by the substitutes to the payroll system.

The Assistant to the Treasurer - Payroll is responsible for keeping vacation, sick, personal and other leave records for both certified and classified employees. A benefit balance report is run each pay listing the outstanding balances for all leave types by employee. The balances can also be viewed on the computer by the Assistant to the Treasurer - Payroll. The approved leave sheets are kept and used to verify balances in the event that an employee questions leave information as reflected on their earnings statements.

Leave without pay is used if no other type of leave is available or able to be used, and a request for leave form is completed. The request for leave form is signed by the employee's supervisor and the Superintendent and a copy is sent to the Treasurer's office. Any long-term leave requests must also be approved by the Board. The Assistant to the Treasurer - Payroll calculates the amount to be adjusted on the employee's original contract by multiplying the daily rate by the number of days and it is then entered into the payroll system. The system subtracts the value of the leave without pay from the individual's pay.

Other Employees: Substitute teachers are paid a daily rate and are used as needed. The building secretaries write the name of the substitute and the amount of time worked on the teacher leave form. The leave form is approved by the building principal and sent to the Assistant to the Treasurer - Payroll for processing.

At the end of an athletic season, the adult ticket sellers and record keepers turn in time sheets to the Athletic Director. The Athletic Director approves the time sheets and sends them to the Assistant to the Treasurer – Payroll who enters the hours worked into the system. The payments are made the next time payroll is processed.

Shelby City School District – Richland County

Financial Accounting Report

Payroll Processing

(Continued)

Two of the board members are paid at a rate of \$125 per meeting, and the remaining three board members are paid \$80 per meeting. The Assistant to the Treasurer - Payroll receives a copy of the Board meeting agenda from the Superintendent's Secretary before each meeting. After the meeting, the Superintendent notifies the Assistant to the Treasurer – Payroll as to which board members were present and it is marked on the agenda. The Assistant to the Treasurer - Payroll prepares a check for each board member the next payroll following the board meeting.

Withholdings: Payroll, tax and retirement forms are given to new employees to be completed, signed, and returned to the Assistant to the Treasurer - Payroll, who enters the information into the computer. If employees need to change their payroll tax, retirement, or annuity information, they can obtain the appropriate forms from the Assistant to the Treasurer - Payroll, who then enters the changes into the payroll system. Withholding and various deduction forms are maintained in the Treasurer's office. Access to the payroll system is password protected. The Treasurer has given authority to NCOCC, the School District's A-site, to grant access and supply a password to her staff. The Treasurer, the Assistant to the Treasurer – Accounts Payable and the Assistant to the Treasurer - Payroll are the only ones with access, all of which have full access.

Other Employee Benefits: The School District offers medical, vision, dental and life insurance to all full time employees. Medical benefits are provided through Medical Mutual, vision benefits are provided through Vision Service Plan, dental benefits are provided through Coresource, and life insurance benefits are provided through GE Group Life Assurance Company. The School District pays the majority of the monthly premiums for certified and classified employees. Certified staff is required to pay \$43.16 per month for single coverage or \$99.18 per month for family coverage, while classified staff is required to pay \$21.58 per month for single coverage or \$49.58 per month for family coverage.

Payroll deductions for medical, dental and life insurance benefits are processed through the payroll system and then used as part of the payment. The Assistant to the Treasurer - Payroll is responsible for the preparation of the documentation for the payments of medical, dental and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Assistant to the Treasurer - Payroll.

Payroll Preparation: The Assistant to the Treasurer – Payroll has two manuals that can be used to assist in the payroll process. One is the Uniform School Payroll System manual that is given to all school districts. The second is a manual that the Assistant to the Treasurer – Payroll has created. It contains examples of computer screen printouts and other documents from prior payrolls that are used to compare to the current payroll.

All payroll information must be received by the Monday following the end of the pay period. Once all payroll information is entered into the system by the Assistant to the Treasurer - Payroll on Monday and Tuesday, a leave usage report is run. The Assistant to the Treasurer - Payroll compares the leave usage report to the individual leave forms and checkmarks each leave usage amount as it is verified. Next, a bi-weekly report called INICAL is run. The INICAL lists the total regular employee bi-weekly payroll prior to exceptions (overtime, extra hours, miscellaneous pays, etc.) The INICAL is compared to the INICAL report from the prior payroll. Any differences are marked and verified by the Assistant to the Treasurer – Payroll. A copy of the INICAL is also given to the Treasurer, who summarizes it on an employee count sheet. The Treasurer then matches the employee count sheet to an employee roster.

Shelby City School District – Richland County

Financial Accounting Report

Payroll Processing

(Continued)

The next payroll report generated is a distribution proof listing called PAYSUM which details the gross payroll by individual employee. The Assistant to the Treasurer - Payroll compares the PAYSUM to the PAYSUM from the prior payroll and marks any differences found. If necessary, errors are corrected and PAYSUM is run again and reviewed for balancing to the prior payroll. Next, the Assistant to the Treasurer - Payroll keys in any exceptions such as substitutes, tutors, or overtime pay. The Assistant to the Treasurer - Payroll then generates the PAYRPT which lists deductions, gross pay, net pay, and pay account distribution. The Assistant to the Treasurer - Payroll reviews the report for proper posting to the respective appropriation accounts. A CALCERR report is also generated at this time. It lists items that are unusual and may need further attention. The Assistant to the Treasurer – Payroll reviews this report and corrects any errors.

The Assistant to the Treasurer - Payroll prints the payroll checks and direct deposits the data using the CHKPRP program. Direct deposits are submitted electronically to the bank by 12:00 p.m. on Wednesday. Money is transferred from a sweep account into the payroll account by the Treasurer.

Direct deposit is mandatory for all employees of the School District. Paper checks are used only when an employee is new or changes bank account numbers. These few paper checks are signed at the time of printing with a dual check signer and printer. The computer system automatically posts the payroll information to all of the appropriate accounts and files within the payroll system and the budgetary system. The Treasurer reviews the payroll distribution sheet to determine the accuracy of amounts paid and keeps it on file in her office.

Employees receive a pay stub on the day the pay is direct deposited. The pay stubs are sent to the building secretaries for distribution to the employees. If the employee is not working the day of a pay, the pay stub is mailed to the employee. The gross pay for all employees is posted to the accounting system upon running the CHKUPD program. Checks for the various deductions from the employees pay are printed by running the DEDRPT and PAYDED programs. The Treasurer compares the check amounts to the deductions reported on the DEDTOT and CHKSTS reports.

Bi-weekly, the Assistant to the Treasurer-Payroll completes the STRS Employer Cash Receipt Remittance Form and mails it to STRS along with payment of the employees' contributions for that pay period. The amounts on this form are compared to the STRSREG report, which presents the employer's and employees' contributions. A copy of the STRSREG report is also submitted electronically to STRS by the Assistant to the Treasurer-Payroll.

SERS employee contributions are paid monthly. The Assistant to the Treasurer-Payroll completes the SERS Cash Deposit Report and mails it to SERS along with payment. The amount on this is compared to the SERSREG report, which includes the employer and the employee contributions to SERS. A copy of the SERSREG report is also submitted electronically to SERS by the Assistant to the Treasurer-Payroll.

The employer retirement contributions are deducted from the semi-monthly State Foundation settlements. The Treasurer posts a memo check for the employer contributions and mails the employee contributions to STRS and SERS.

Internal Revenue Service W-2 forms are processed after the last payroll for the calendar year. W-2 forms are distributed to all employees by the end of January. All W-2 information is submitted electronically to the IRS through the School Districts A-site, North Central Ohio Computer Cooperative.

Shelby City School District – Richland County

Financial Accounting Report

Payroll Processing

(Continued)

Auditor of State Comments

1. The School District should provide “412” certificates signed by the treasurer, superintendent and Board president for all negotiated agreements and salary schedules. The “412” certificates should be signed at the time the contract was approved by the Board or no later than the time the contract is signed. The certificate should be attached to or incorporated in the contract.

Shelby City School District – Richland County

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before debt is issued, a resolution authorizing the issuance of debt should be passed by the School Board. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of the Board of Education and the Treasurer. Debt proceeds should be receipted into a separate fund when appropriate and used only for the purpose specified in the authorizing resolution. 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

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to school districts are found in Title 33 of the Ohio Revised Code. The statutory requirements vary depending on the nature of the debt being issued.

School District's Debt

The amount of the School District's outstanding debt at June 30, 2006 was \$2,372,815 and consists of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2005</u>
<u>General Obligation Bonds:</u>		
1998 Energy Conservation Bonds	5.10%	<u>\$735,000</u>
<u>Loans:</u>		
State of Ohio Solvency Assistance Advance	0.00%	1,626,500
2002 Band Instrument Loan	variable	<u>11,315</u>
Total Loans		<u>1,637,815</u>
 Total Debt		 <u><u>\$2,372,815</u></u>

All debt documents and amortization schedules are kept on file in the Treasurer's office.

Energy conservation bonds of \$1,600,000 were issued on June 1, 1998. The bonds were issued for a fifteen year period and are paid from property taxes receipted in the debt service fund.

During fiscal year 2005, the School District received a Solvency Assistance Fund advance from the State. The Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance is repaid over two fiscal years with State foundation revenues.

Shelby City School District – Richland County

Financial Accounting Report

Debt Administration

(Continued)

On December 19, 2002 the School District entered into a lease for \$53,229 for band instruments. This lease has a variable interest rate and matures in January, 2007.

The School District entered into lease agreements for the acquisition of copiers and computers. The leases will be paid off during fiscal year 2006.

The School District also has a State of Ohio Bankruptcy grant of \$1,207,126. The grant was received from the Ohio Department of Education during fiscal year 2002. This grant was to replace the tax revenue the School District did not receive due to a local corporation filing for Chapter Eleven receivership. Section 3317.0210, Revised Code, states that a School District may receive a bankruptcy loan when the amount of uncollectible taxes from a local corporation equals at least one percent of the total taxes charged and payable as certified by the tax commissioner and that the grant shall be repaid in any future year to the extent the district receives payments of uncollectible taxes in such future year. The School District received a partial payment of the past due taxes and has entered into an agreement to repay the State \$235,781 over three years.

Auditor of State Comments

None.

Shelby City School District – Richland County

Financial Accounting Report

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital and non-capital assets should be accounted for and capital assets should be reported in accordance with generally accepted accounting policies (GAAP). The policies should define capital assets and address capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, use and determination of salvage values, and the tracking of capital and non-capital assets. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase the asset, tag number and whether the item is leased. The purchase and disposal of an asset should be authorized by the governing board, reported to and promptly recorded by the treasurer or business manager, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually. Capital and non-capital assets should be adequately safeguarded and loss or thefts should be promptly reported to the authorities.

Consumable materials and supplies include office supplies, gasoline, and cafeteria supplies, food, and donated commodities. Inventories, where appropriate, should be monitored, controlled, and physical counted periodically to determine the items and quantities in existence. A physical inventory of all material items should be conducted at or near the fiscal year end date.

Statutory Requirements

Section 3313.41(A), Revised Code, requires that, except as provided in divisions (C), (D), (F), and (G) of this section, when a board of education decides to dispose of real or personal property that it owns in its corporate capacity, and that exceeds in value ten thousand dollars, it shall sell the property at public auction, after giving at least thirty days' notice of the auction by publication in a newspaper of general circulation or by posting notices in five of the most public places in the school district in which the property, if it is real property, is situated, or, if it is personal property, in the school district of the board of education that owns the property. The board may offer real property for sale as an entire tract or in parcels. Under division (B), when the board of education has offered real or personal property for sale at public auction at least once pursuant to division (A) of this section, and the property has not been sold, the board may sell it at a private sale. Regardless of how it was offered at public auction, at a private sale, the board shall, as it considers best, sell real property as an entire tract or in parcels, and personal property in a single lot or in several lots.

Ohio Administrative Code Requirements

Section 117-2-02 (D)(4)(c) of the Ohio Administrative Code requires that the school district 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.

School District's Method of Accounting for Capital Assets

In accordance with Board policy, the School District performs a complete inventory of all School District owned equipment annually. The policy identifies capital assets as land and improvements, buildings and building improvements, furniture, fixtures and equipment, vehicles, and construction in progress. The policy further requires the School District to maintain a capital asset accounting system. The capital asset accounting system is to provide sufficient information to permit the preparation of year-end financial

Shelby City School District – Richland County

Financial Accounting Report

Capital Assets and Supplies Inventory

(Continued)

statements in accordance with generally accepted accounting principals and provide control and accountability. The School District uses the Industrial Appraisal Company to provide updated appraisal values so that adequate insurance coverage is maintained.

When assets are coded into the School District's system as a 500, 600, or 700 object code, the system flags them as pending items/assets to signal that additional information is required. The EMIS/Inventory Coordinator checks the pending items list once a month. Since the School District's capital asset threshold is set at \$5000, every pending asset that is at least \$5,000 has to be processed within the capital asset system. When an asset is received, an Equipment Record Worksheet is sent out by the EMIS/Inventory Coordinator to the person/department that is responsible for the asset to fill out all pertinent information including the building number, room number, model number, serial number, value, fund number, purchase order number, vendor, and any other additional comment. Once the responsible party completes the form, they make a copy to keep for their own records, and they send the form back to the EMIS/Inventory Coordinator requesting an inventory tag. Upon receipt of this form, the EMIS/Inventory Coordinator enters all information into the system, including the inventory tag number, and sends the inventory tag back the responsible party. The responsible party then places the inventory tag on the asset. For assets under \$5,000 and over \$500, the items are tagged and included in the capital asset system.

An Inventory Change Request Form is used for asset replacements and/or deletions. This form tracks the asset number along with where it is being relocated or the method of disposal and amount, if any, received at disposal. The building administrators or their designees are responsible for completing this form. Once the form is completed it is sent to the EMIS/Inventory Coordinator. It is then given to the Superintendent for approval. Once approval is obtained, the EMIS/Inventory Coordinator changes the asset information in the system to properly reflect the correct asset information.

Once each year, the EMIS/Inventory Coordinator takes a complete physical inventory. This is done using the Inventory Location Worksheet which is sent to all buildings in the spring. This form lists by room number what assets are shown in the system as being in each room. Each building employee is responsible for verifying that the assets listed on the Inventory Location Worksheet for their respective rooms are actually in the room. If an asset is listed that is not in a room, the employee either marks where the asset has been moved to or indicates that they do not know where the asset is located. The Inventory Location Worksheet is submitted back to the EMIS/Inventory Coordinator before the end of the school year, at which time, the EMIS/Inventory Coordinator confirms that the assets and asset locations match the information in the system. If an employee indicates that an asset has moved to a known location, the EMIS/Inventory Coordinator updates the location in the system. If an employee indicates that an asset is missing and the location of the asset is not known, the EMIS/Inventory Coordinator places the asset on a list which is used to later try to identify the location of the asset. Once missing assets are all listed, the EMIS/Inventory Coordinator goes to the various buildings to attempt to find the asset. If the asset still is not found at this point, the asset is kept on the system for one year. At the end of that year, if the asset has not surfaced, then the EMIS/Inventory Coordinator fills out the "to be disposed of" portion of the Inventory Change Request Form and submits it to the Superintendent. Once the Superintendent approves the form, the EMIS/Inventory Coordinator deletes the asset from the system. If, by chance, a deleted item that was missing surfaces, the EMIS/Inventory Coordinator will put the asset back onto the system by adding a zero to the same tag number originally placed on the asset.

All completed forms are kept on file with the EMIS/Inventory Coordinator, and all reports on the system can be accessed by the Treasurer.

Shelby City School District – Richland County

Financial Accounting Report

Capital Assets and Supplies Inventory

(Continued)

School District's Methods for Assets for Supplies

The School District takes a year-end physical inventory of supplies in June for maintenance, bus garage, and grounds shop consumable inventory items. All inventories are sent to the Treasurer upon completion.

The Head Cook at each building takes a month-end physical inventory and sends the tally sheets to the Assistant Food Service Director. The Assistant Food Service Director totals the inventory for all buildings. The Food Service Director uses the inventory information to complete the State Child Nutrition reports online which are submitted to the State Department of Education.

Auditor of State Comments

1. The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).
2. The Board should approve changes in capitalization thresholds by resolution. The policy should be updated to include the new capitalization threshold.
3. The School District's consumable inventory procedures should be updated to include the items to be inventoried, method to be used, and the individuals responsible for verifying the count. The procedures should include a standard form for counting fiscal year inventory.
4. According to the School District's policy, a physical inventory is to be taken in June. This is not being done. If the inventory is considered to be immaterial, the treasurer should take measures to determine this annually or make it part of the Board policy that inventories will be kept to a minimum.
5. The Board needs a policy to account for missing assets. Keeping the missing asset on a list fails to recognize if a potential theft has occurred. Procedures should be adopted for reporting when an asset is moved to the EMIS/Inventory Coordinator.

Shelby City School District – Richland County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by a school district should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following business day.

The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes. Cash management and investment activities of a school district are additionally governed by Sections 135.01 to 135.22, and 3313.31 and 3315.01 of the Ohio Revised Code.

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 treasurer to attend annual training programs of continuing education for treasurers provided by the treasurer of State.

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

Section 3315.01, Revised Code, allows the board of education of any school district to adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose or any other fund of the district as the board specifies in its resolution, except for the earnings made on the investment of the bond retirement fund, the sinking fund, a bond fund or the school facilities project fund.

Shelby City School District – Richland County

Financial Accounting Report

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 be:

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. Recorded as an official record of the financial institution continuously from the time of its execution.

The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. These activities include the transfer of cash among the various bank accounts, investing, and reconciling the treasury with the accounting records. The School District maintains a checking account, a payroll checking account, a savings account, a sweep account, and one STAROhio investment account.

The Treasurer's Office is responsible for reconciling all accounts. These accounts are as follows:

Bank and Account Description

First Citizens Bank	This general checking account is used for the general operations of the School District.
First Citizens Bank	This account is used for the accumulation and distribution of funds for payroll of the School District.
First Citizens Bank	This savings account is used to accumulate interest.
First Citizens Bank	This overnight repurchase agreement account is used as an investment account of the School District.
STAROhio	This is used as an investment account of the School District.

STAROhio receives wire transfers for the Shelby School District. The First Citizens Bank checking account receives daily deposits from the School District. Transfers are made, when necessary, from the STAROhio account into the First Citizens Bank general checking account. Checks are written against this account for the daily operations of the School District.

The Treasurer reconciles the bank accounts each month. The front and back cancelled check images (four per page) are included with the bank statements. Any discrepancies are noted on the bank statement and cash reconciliations. Corrections are posted upon completion of the reconciliation process.

The Treasurer has attended the proper training for the School District's investments.

Shelby City School District – Richland County

Financial Accounting Report

Cash Management and Investing

(Continued)

The Shelby City School Board of Education authorizes the Treasurer to make investments with available monies from the funds of the School District in securities authorized by State Law. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law. The only investments the School District holds are the STAROhio account, several certificates of deposit and a repurchase agreement. The funds that receive the interest by resolution, are the following:

001	General Fund	006	Food Service
007-9004	Board of Education Scholarship	007-9005	Shank Memorial Scholarship
007-9006	Dennis Military Aviation Scholarship	007-9007	Betty Smith Memorial Scholarship
007-9011	WH & Ladye F Moody Scholarship	007-9012	Shaw Scholarship
007-9014	Janet E Rhoads Scholarship	007-9015	Karen McKinney Memorial Scholarship
007-9200	Auditorium Improvement	008-9001	Horner Endowment
009-9002	Summer Endowment	008-9003	District Recognition Program
008-9008	Debra Bader Scholarship	008-9009	Tooker Scholarship
008-9010	Rebecca Bond Cryder Scholarship	401-9005	St. Mary Auxiliary
401-9105	Sacred Heart Auxiliary		

The Treasurer's office and the Athletic Department both maintain a petty cash fund. They are not authorized by the Board.

Auditor of State Comments

1. The investment policy reflects the guidelines the School District follows when making investments. These guidelines include the type and length of investments allowed as well as who has been designated by the School District to make investments and compliance with Ohio Revised Code. The investment policy, however, does not address the allocation of interest. It should be updated to do so.
2. The School District has an investment policy that is not signed and dated by the Board, Treasurer or entities conducting investment business with the Treasurer or the Board. The investment policy should be signed and dated by the Board, the Treasurer and entities conducting investment business with the Treasurer or the Board as prescribed in Section 135.14(O)(1).
3. The School District needs a policy on how change funds are to be issued and used. The Board should pass an annual petty cash resolution to authorize the establishment of cash funds.
4. The School District does not have an agreement securing deposits that meets the FIRREA requirements.

Shelby City School District – Richland County

Financial Accounting Report

Financial Reporting

Description of Effective Method of Financial Reporting

The Treasurer should periodically provide the Board with reports setting forth year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the school district. In addition, information concerning estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the Board's review. On an annual basis, the Treasurer should prepare and publish within 150 days of fiscal year end financial statements prepared in accordance with generally accepted accounting principles (GAAP).

Statutory Requirements

Section 117.38, Revised Code, requires an annual financial report to be certified by the treasurer and filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year. At the time the report is filed with the Auditor of State, the fiscal officer should publish notice in a newspaper published within the school district. The notice should state that the financial report has been completed and is available for public inspection at the office of the treasurer.

Section 3313.29, Revised Code, requires the treasurer to render a statement to the board and to the superintendent of the school district, monthly, or more often if required, showing the revenues and receipts from whatever sources derived, the various appropriations made by the board, the expenditures and disbursements therefrom, the purposes thereof, the balances remaining in each appropriation, and the assets and liabilities of the school district. At the end of the fiscal year such statement shall be a complete exhibit of the financial affairs of the school district which may be published and distributed with the approval of the board.

Administrative Code Requirements

By July 31 of every year, the treasurer shall complete Form 4502, Annual Financial Report, for the Ohio Department of Education. The report is generated by the school district's computer system and is transmitted to the Department of Education. School districts are required by Section 117-2-03(B) of the Ohio Administrative Code to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

The School District's Method of Financial Reporting

The School District uses software provided by the North Central Ohio Computer Cooperative (NCOCC) which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports, places them in binders and stores them in file cabinets in the Treasurer's office. Throughout the year, various payroll reports are kept on file in the Treasurer's office. The 4502, the cash basis annual financial report, is completed by the Treasurer, printed, and sent to the Independent Public Accountant to use in preparing the annual financial report in accordance with GAAP.

The 4502 is usually completed during the month of July and is submitted to the State Department of Education electronically through the School District's A-site, NCOCC.

Shelby City School District – Richland County

Financial Accounting Report

Financial Reporting

(Continued)

On the Friday prior to the Board meeting, the Treasurer's office provides Board members with a Treasurer's report, monthly minutes that need approval, monthly SM-2 Annual Spending Plan (Current Operation – General Fund Only – O.R.C. 5705.391) report, the latest amended official certificate of estimated resources, financial summary report, revenue report, appropriation report, check register and appropriations and receipt modification report. Other financial reports are given according to a request of the Board members.

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited financial statements are filed with the Auditor of State, Local Government Services Section within 150 days of the end of the fiscal year end or, if unable to meet the deadline, an extension is requested. As soon as the financial audit is released by the Auditor of State, the audit report and management letter is distributed to all Board members.

Auditor of State Comments

None.

Shelby City School District – Richland County

Financial Accounting Report

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The School District's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the board's decisions. Minutes of proceedings should be approved at the subsequent meeting. A resolution should be limited to one subject, which should be clearly expressed in its title. Proposed legislation is to be drafted and available for all members to read and vote upon. In the adoption or passage of a bylaw or resolution, the yeas and nays should be entered into the minutes and the bylaw or resolution should be signed by the presiding officer and the treasurer. All board minutes and resolutions should be maintained as a permanent record of the Board.

Statutory Requirements

Section 3313.26, Revised Code, requires the treasurer of the board of education to record the proceedings of each meeting in a book to be provided by the board for that purpose, which shall be a public record. The record of proceedings for each meeting of the board shall be read at its next succeeding meeting, corrected, and approved, which approval shall be noted in the proceedings. After such approval, the president shall sign the record and the Treasurer shall attest it.

By resolution, a board of education may waive the reading of the record of any of its proceedings, provided that such record has been distributed to the members of the board of education at least two days prior to the date of the next succeeding meeting and that copies of such record are made available to the public and news media. Such regulation shall be in full force and effect until such time as amended or rescinded by said board of education.

Section 122.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The 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. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of Section 121.22.

Auditor of State Comments

1. The minutes should be signed immediately following the meeting at which they are approved. Both the President of the Board of Education and the Treasurer should sign the minutes. The Board minutes are not always signed by the President of the Board when approved at each meeting.

Shelby City School District – Richland County

Financial Accounting Report

Conclusion

The methods described and included in this report are based on our inquiries and discussions with School District personnel and the related procedures documented from the School District's Policy Manual, resolutions, Ohio Administrative Code and the Ohio Revised Code.

It is the opinion of the office of the Auditor of State that the current methods of the accounting and financial reporting of the Shelby City School District are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.



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SHELBY CITY SCHOOL DISTRICT

RICHLAND 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
SEPTEMBER 7, 2006**