



**Dave Yost • Auditor of State**

**Beaver Local School District  
Columbiana County, Ohio**

**Report on Accounting Methods**

**Local Government Services Section**



**Beaver Local School District, Columbiana County  
Report on Accounting Methods**

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# Dave Yost • Auditor of State

## CERTIFICATION

On February 11, 2010, the Beaver Local 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 shall issue a report assessing the 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 Beaver Local School District.

Section 3316.10(A), Revised Code requires that the Board of Education of the Beaver Local 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.

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

DAVE YOST  
Auditor of State

November 22, 2011

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 Beaver Local 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.

This report presents in narrative form the major transaction cycles of the School District and certain other key activities that affect the accounting and reporting functions. Each section of the report identifies the key elements necessary for an effective system, the related requirements from the Ohio Revised Code and the Ohio Administrative Code, the School District's process, and the Auditor of State's comments for correction or improvement. Information for this report was obtained by interviewing School District personnel, observing operations, 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 Beaver Local 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.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Governance Overview

Beaver Local 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) which controlled five instructional and two support facilities that provided services to 2,199 students mandated by the State and Federal agencies.

On February 11, 2010, 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 financial matters and whose principal place of professional or business activity is situated within the School District, appointed by the Mayor;
4. A resident of the School District with knowledge and experience in financial matters and whose principal place of professional or business activity is situated within the School District, 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 Beaver Local School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Commission is to specify 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 fiscal officer;
4. Bringing civil actions to enforce fiscal emergency provisions;
5. Implementing steps necessary to bring 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.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Governance Overview

(continued)

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 June 22, 2010, and includes the power to approve contracts entered into by the Beaver Local School District for personal services and employment contracts for all positions other than temporary positions and all purchases in excess of \$5,000.

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 School Board.



# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 governing body 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: By 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 permanent 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 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.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Budgetary Process

(Continued)

No appropriation measure shall become effective until the County Auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official estimate or amended official estimate. When the appropriation does not exceed the official estimate, the County Auditor shall give a certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

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.

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. 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.

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 School 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 under division (B) of section 5705.36 of the Revised Code.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Budgetary Process

(Continued)

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to include five-year projections of operational revenues and expenditures in a five-year forecast. Under Section 3301-92-04 of the Ohio Administrative Code, school districts are to submit the projections to the Department of Education. The projection must 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, 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. 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. 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.

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.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Budgetary Process

(Continued)

#### School District's Budgetary Process

The School District's formal policies regarding the budgetary process provide that annual appropriations shall be adopted and approved by the Board of Education (the Board). The Board shall adopt as part of its annual appropriation measure a spending plan setting forth a five year projection of revenue and expenditures of the general fund.

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 for adoption. The budget includes proposed expenditures and the means of financing expenditures for all funds. Taxpayers may view the tax budget by coming into the Treasurer's office or logging onto the School District's website. The tax budget for fiscal year 2010 was adopted by the Board on January 12, 2009. Once the budget is adopted, it is filed with the Columbiana County Budget Commission no later than January 20. The budget commission determines the amount of millage and calculates the estimated revenue by levy.

On April 20, 2009, the Board accepted, by resolution, the tax rates as determined by the budget commission and received the budget commission's certificate of estimated resources for fiscal year 2010.

After the close of the fiscal year, the Treasurer submits to the County Auditor the unencumbered cash balance of each fund and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances from the preceding year. The first amended certificate of estimated resources for fiscal year 2010 was approved by the budget commission on July 1, 2009.

On June 8, 2009, the Board of Education adopted a temporary appropriation measure, at the fund level for all funds, prior to the start of the new fiscal year. The temporary appropriations are set at 25 percent of the prior fiscal year's expenditures. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted. The permanent appropriation measure was adopted on September 8, 2009.

The Treasurer prepares appropriations based upon prior years' history and currently known facts. The Treasurer submits all appropriation measures to the budget commission and at the same time submits a request for an amended certificate of estimated resources for any new or additional estimated revenue available for appropriation. Within two weeks, the Treasurer receives a certificate from the County Auditor certifying that appropriations from each fund do not exceed the official estimate of resources. The Treasurer attaches this certificate to the amended certificate and files both in a binder. The Treasurer also prepares and submits a 412 Certificate which certifies that the School District has sufficient revenue to support those appropriations.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Budgetary Process

(Continued)

Appropriations for all student activities are set at the fund level in the appropriation measure. At the beginning of the year, the Board approves those student activity programs it wishes to be operational. The Purpose Statement and Budget forms are prepared by the activity advisor and approved by the building principal and Superintendent. The form identifies the activity, building, purpose, fund balance at the start of the fiscal year, total estimated revenues, total estimated expenditures and estimated fund balance at the end of the fiscal year.

All Board approved temporary and permanent appropriations are entered into the computer system after they are passed but before the School District has received the certificate from the County Auditor that appropriations from each fund do not exceed the official estimate of resources. If adjustments to the appropriations are passed, the new appropriation amounts are entered into the system by the Treasurer.

The Treasurer compares estimated revenues and expenditures to actual amounts on a monthly and cumulative basis.

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 filed electronically through the School District's A-site. The forecast is updated and filed again by May 31. The Treasurer keeps the five-year forecast on file in his office with the documentation that was used to prepare the forecast.

### Auditor of State Comments

1. The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. The policies should also require the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.
2. Appropriations are posted in the system prior to receiving the certificate from the county auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective which is upon receipt from the county auditor of the certificate indicating that appropriations are within estimated resources.
3. The appropriations in the accounting system do not agree with the most current supporting documents for fiscal year 2010. The Treasurer should enter all appropriations in the system and compare budgeted amounts in the accounting system to the current appropriation measures as passed by the Board of Education to ensure that recorded amounts are accurate.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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. 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 receipts should be summarized and remitted to the fiscal office daily. The fiscal office should issue pay-ins to those departments depositing daily collections to the fiscal office and for any payments received by the fiscal office. The pay-in forms should be a 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 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 monies received exceeds one thousand dollars. If the total amount of the public monies received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

Section 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 instruction, 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 School District's primary sources of revenues include property taxes collected and remitted by the county auditor and treasurer, State Foundation program revenues and Federal and State grants both of which are remitted to the School District from the Ohio Department of Education. The School District also collects student fees and admissions for athletic events at the various school buildings and charges for school lunches served in their cafeterias. Monies are received by the School District via wire transfer and through various cash collection sites throughout the School District. All employees that handle money are bonded by a blanket policy. The Treasurer, Superintendent and Board President are individually bonded.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Revenue Activity

(continued)

#### Building Receipts:

The building cashiers handle receipts at the various school buildings. School fees/fines, athletic receipts and middle school student activity receipts are turned into the building cashier. The building cashier prepares a three part handwritten receipt for each individual receipt collected. The white copy of the handwritten receipt is given to the individual, the yellow copy of the handwritten receipt is sent to the Treasurer's office with the deposit and the pink copy of the handwritten receipt is kept in the receipt book. The daily receipts are secured in a safe or locked drawer.

Once a day, the building cashier prepares a three part pay-in order for each type of daily receipt. The Treasurer's office has created an Excel template for the pay-in order that is available on the School District's website. The activity program cell of the template has a drop-down menu. When the building cashier picks the program from the drop-down menu, the template automatically fills in the proper activity revenue account. The pay-in order includes a section to be completed by the Treasurer's office. The template includes three copies of the pay-in order and it automatically copies the information entered into the top copy of the pay-in order to the second and third copies of the pay-in order. The building cashier completes and prints out the three copies of the pay-in order. The first two copies of the pay-in order are sent to the Treasurer's office with the deposit and the third copy of the pay-in order is kept by the building cashier.

To complete the daily receipts, the building cashier recounts all monies and prepares a two part deposit slip. The daily receipts along with a copy of each handwritten receipt, two copies of each pay-in order and a two part deposit slip are placed in a locked bank bag. The Executive Secretary picks up the locked bank bags from each school building and brings them to the Treasurer's office.

Athletic Event Receipts: The School District requires payment for admittance at various athletic events. The ticket sellers are adults only. When a ticket is sold, a 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 a ticket-taker at the entrance.

At the middle school, the employee serving as the Middle School Athletic Director is in charge of receipt collection for athletic events. After all sales are completed, the Middle School Athletic Director is responsible for counting the money and completing the Ticket Report form which is used to reconcile cash received to tickets sold. This form includes the type of event, date, ticket type (student or adult), ticket starting number, ticket ending number, number of tickets sold, price of ticket, and total cash received for the tickets. The Ticket Report is signed by the Middle School Athletic Director and the ticket seller. If any discrepancies occur, the amount of the discrepancy is noted on the form. The Middle School Athletic Director keeps the money along with the unsold tickets in a lock box which is placed in a locked safe at the school building. The following day, the Ticket Report and athletic monies are turned into the building cashier. The building cashier recounts the money and completes a pay-in order.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Revenue Activity

(continued)

At the high school, the Faculty Manager is in charge of receipt collection for athletic events. After all sales are completed, the Faculty Manager counts the money while a police officer stands by. The Faculty Manager completes the Ticket Report and fills out a deposit slip. The Ticket Report is signed by the Faculty Manager and the ticket sellers. For big ticket events, such as varsity football, during or immediately following the event, the Faculty Manager rides in the police cruiser with the officer to make a deposit at the bank by placing the seal proof plastic bank bag containing the monies and deposit slip in the drop box. The following day, the Faculty Manager fills out a pay-in order and brings the Ticket Report, the pay-in order and the non-carbon copy of the deposit slip with the bank receipt attached to the Treasurer's office. For smaller ticket events, the Faculty Manager places the receipts in a locked safe overnight at the high school and takes the deposit to the bank the following day.

The Athletic Director receives a copy of the Ticket Report from the Middle School Athletic Director and the Faculty Manager and files the forms in the Athletics office. The unsold tickets are kept in a locked file cabinet in the Athletic Director's office.

*Student Activity Receipts:* Each October, the Board approves the Purpose and Budget Statements for all student activities that it wishes to be operational. The Purpose and Budget Statement lists the planned fundraisers and the anticipated revenue and expenditures for each fundraiser.

The student activity advisors must submit a Sales Projection Form for each fundraiser which details the proposed project, quantity of goods to be ordered and projected sales of the fundraiser. The top portion of this form must first be signed and approved by the student activity advisor, the building principal and the Superintendent. The form is then submitted to the Treasurer's office for signature approval by the Treasurer. Upon the collection of all four signature approvals, the fundraiser may commence.

The School District has two processes for student activities, one for elementary and middle school receipts and another one for high school receipts.

Once a day, the student activity advisor prepares a pay-in order, following the same procedure described for the building cashier, and turns in any money received to the building cashier. At the elementary schools and middle school, the building cashier recounts the money and fills out a deposit slip. At the high school, the building cashier does not handle student activity receipts. The Assistant to the Treasurer and the Payroll Clerk have the responsibility of recounting the high school student activity monies, filling out a deposit slip and taking the deposit to the bank. The building cashier at the high school simply puts each student activity's monies and pay-in order into an individual envelope and places the envelopes into the locked bank bag that is taken to the Treasurer's office by the Executive Secretary.

Once the fundraiser is completed and all monies have been deposited, the student activity advisor fills out a Completed Sales Report which details the amount of total sales, the cost of goods sold, any goods not sold, and the amount deposited with the Treasurer. The student activity advisor must sign the bottom of the Completed Sales Report and submit it to the building principal. After the building principal signs the Completed Sales Report, the form is sent to the Treasurer's office where it is filed.



## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The School District holds various fundraisers. For about half of all fundraisers, goods are only ordered after customer orders and money have been collected. Goods are ordered ahead of time for candy sale and some customized merchandise fundraisers. In a candy sale fundraiser, the student activity advisor picks up the boxes of candy from the vendor without making a payment to the vendor. If any unopened boxes are unsold at the end of the fundraiser, the boxes are simply returned to the vendor. The student activity advisor writes in the goods returned on the Completed Sales Report. Opened candy boxes are kept as inventory which can be sold in the future. For fundraisers involving customized merchandise ordered ahead of time, the unsold goods cannot be returned to the vendor. The unsold merchandise is kept as inventory to be sold at another time. When unsold goods cannot be returned, the amount of the unsold goods is subtracted from sales revenue on the Completed Sales Report.

Each month, the Treasurer sends a FINDET report generated from the accounting system to the student activity advisors. The FINDET report shows the detailed transactions for the student activity's account. The student activity advisors use the FINDET report to reconcile their total recorded deposits to the amount posted to the system. If there is a discrepancy, the student activity advisor notifies the Treasurer's office.

Receipts from Student Fees and Fines: The School District maintains and tracks student fees by using the student information system which is accessed through the School District's A-site. The system includes information for each student including the student's name, grade level, homeroom teacher, courses and other information. The master fee schedules are entered into the system which automatically adds the appropriate fees to each student based on the information entered for the student.

Elementary students are charged a flat fee based on their grade level. Middle school students are charged fees based on their grade level as well as standard class fees. High school students are charged standard fees for certain classes, such as chemistry and home economics.

The School District also tracks book fines and other fines by using the student information system. The teacher or librarian sends a note to the building cashier to notify the cashier of a student's fines. The building cashier will enter the student's fine amount into the student information system.

Middle school and high school students turn their fee/fine money directly into the building cashier. In the elementary schools, the students give fee/fine money to their teacher who turns it into the building cashier. In some cases, the student's parents will come in and pay the fee/fine to the building cashier.

Upon receiving the fee/fine money, the building cashier will enter the amount received into the student information system which updates the student's outstanding fees/fines balance. If the student requests a receipt, the building cashier can print out a fee/fine receipt from the system. Prior to the end of the school year, the building cashier will view and print a list of students that have unpaid fees and fines. The building cashier sends a letter to the student's home requesting payment of the fee/fine. The letter states that a hold has been placed on the student's report card until the outstanding fees and/or fines have been paid.

#### Cafeteria Receipts:

Students pay for breakfast or lunch with cash daily or they may prepay. If students choose to prepay, they bring their monies to the Head Cook or cafeteria worker serving as the cashier at the beginning of the day.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The School District maintains a database system for tracking student school breakfast and lunch sales. Each student in the School District is entered in the system. The system contains information including the student's name, grade, eligibility status (free, reduced or fully paid), pin number and a picture of the student. The system updates and tracks each student's lunchroom account balance.

All students are given a pin number which differentiates between free, reduced and fully paid lunches. The students enter their pin number into a pin pad and the cashier enters the transaction into the system. If the student has prepaid their breakfast or lunch, the money is taken directly out of their account. If the student has not prepaid and is not eligible for a free lunch, the student gives their lunch money to the cashier.

The database system generates lunchroom reports which total meals served and monies collected. A cafeteria worker and the Head Cook count the money and compare it to the amount on the lunchroom daily income report. The Head Cook prepares a two part deposit slip and puts the deposit slip along with the monies in a locked bank bag. Once a day, the Executive Secretary picks up the locked bank bags and takes the deposit to the bank. The next morning, the Executive Secretary picks up the locked bank bags at the bank and brings them to the Assistant to the Treasurer. The Assistant to the Treasurer removes and staples the non-carbon copy of the deposit slip and the bank receipt together and files these in the Treasurer's office.

At the end of each month, the Food Service Supervisor sends the database generated lunchroom reports to the Assistant to the Treasurer. The Assistant to the Treasurer uses these reports to prepare a two part receipt slip which is used to post the cafeteria receipts to the system. The white copy of the receipt slip is stapled to the lunchroom reports and filed numerically in the Treasurer's office. The yellow copy of the receipt slip is kept in the receipt book.

The Food Service Supervisor uses the lunchroom system reports to complete Site Claim Form reports on the computer and submit them to the Ohio Department of Education for Federal and State meal subsidies.

#### Treasurer's Office:

Each building's daily receipts along with a copy of each handwritten receipt, two copies of each pay-in order and a two part deposit slip are placed in a locked bank bag. Once a day, the Executive Secretary picks up the locked bank bags and brings them to the Treasurer's office. The Treasurer recounts the monies and verifies that each building's total receipts match the sum of the pay-in orders and the amount on the deposit slip. After recounting the monies, the Treasurer writes in the amount received on the two copies of the pay-in order.

The Treasurer's office receives State foundation, property taxes, property tax allocations and most Federal, State by wire transfer to the School District's general checking account. The Treasurer reviews the online daily activity report for the general checking account for wire transfers that have been received. The Treasurer identifies the proper account codes and prepares a receipt slip for each wire-transferred receipt. The Treasurer books gross receipts to the proper revenue account. Any deductions, such as administrative fees, are booked as memo expenditures. The Treasurer verifies the gross amounts booked for receipts net of expenditures to the amount wire-transferred to the general checking account.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The Treasurer's office directly receives payments for rentals and the sale of capital assets. Typically, these payments are received through the mail or by individuals coming into the Treasurer's office. All mail received by the Treasurer's office, unless addressed to a specific person, is given to the Treasurer to open. The Treasurer removes the receipts and adds all checks and counts the cash. The Treasurer then fills out a deposit slip for the receipts.

Each afternoon, the Treasurer takes all daily deposits, except for big ticket high school athletics, high school student activities, and cafeteria receipts to the bank. The Treasurer waits for the deposit to be counted and the amount validated by the bank. The top copy of the deposit slip goes to the bank and the non-carbon copy is stapled to the bank receipt and filed in the Treasurer's office.

After the deposit has been made, the Treasurer or the Assistant to the Treasurer prepares a two part receipt slip for each school building's receipts. The receipt slip includes the date, receipt number, dollar amount of receipt, descriptions, fund numbers and account codes. The Assistant to the Treasurer uses the white copy of the receipt slip to post the receipts to the system. The receipt slip, corresponding copies of the pay-in orders and the yellow copies of the handwritten receipts are stapled together and filed numerically in the Treasurer's office. The yellow copy of the receipt slip is kept in the receipt book.

After completing the receipt slip, the Treasurer or the Assistant to the Treasurer writes in the corresponding receipt number on the two copies of pay-in order and signs them. The Treasurer's office sends one copy of the pay-in order signed by the Treasurer or the Assistant to the Treasurer back to the originator for their records.

Receipt of State Foundation: State Foundation monies are wire-transferred bi-monthly to the School District's general checking account from the Ohio Department of Education. The foundation settlement sheets and the PASS forms which identify the various sources of State aid are printed from the Ohio Department of Education's web page by the Treasurer. The amount of the wire transfer is compared by the Treasurer to the net amount listed on the foundation settlement sheet. Generally, foundation settlements include restricted and unrestricted receipts and tuition payments from other school districts. The Ohio Department of Education also deducts from each settlement pension contributions and tuition payments due to other school districts and community schools. The Treasurer prepares a receipt slip which lists the proper accounts for posting. The receipt slip details the revenue side of the foundation settlement and the deductions which are posted as memo expenditures. The foundation settlement sheets and the signed receipts are stapled together and filed in the Treasurer's office.

Receipt of Property Taxes: The Treasurer identifies the proper account codes for gross property tax receipts and deductions and prepares a receipt slip using information from the tax settlement sheet. The Treasurer verifies that the net property tax receipts on the tax settlement sheet match the amount wire transferred from the County. The gross property tax receipts and deductions are booked to the general fund and bond retirement fund. The tax settlement sheet and signed receipt are all stapled together and filed in the Treasurer's office.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Revenue Activity

(continued)

Receipt of Property Tax Allocations: Homestead and rollbacks are wire-transferred twice a year to the School District's general checking account. The Treasurer identifies the account codes for gross receipts and deductions and prepares a receipt slip using information from the tax settlement sheet. The homestead and rollback amount found on the tax settlement minus the amount deducted for administrative fees is compared to the amount wire-transferred to the bank.

Other property tax allocations, including utility deregulation and tangible personal property loss reimbursement are received by wire transfer through foundation. The Treasurer identifies the proper account codes for gross receipts and deductions using information from the tax settlement sheet. The Treasurer verifies that the net property tax allocations on the tax settlement sheet match the amount wire transferred through foundation.

Receipt of Grant Monies: The School District participates in various Federal and State grant programs. The Superintendent enters the budget for each grant into the Ohio Department of Education's (ODE) website under the Comprehensive Continuous Improvement Planning (CCIP) System. The CCIP System is a unified grants application and verification system provided by the Ohio Department of Education. Monthly, the Treasurer reviews the FINSUM report, which is a summary of all fund activity and ending balances, and when cash is needed from a particular grant the Treasurer completes an on-line CCIP Project Cash Request.

The Treasurer checks the ODE website at least once a week to view the CCIP grant monies that were wire-transferred to the School District's bank account. The ODE website has a "Details" button that can be clicked for each payment that provides detailed receipt information for that specific ODE payment. By reviewing the detailed information, the Treasurer can identify the grant proceeds. The amount wire-transferred per the Ohio Department of Education's website is also matched to the bank statement by the Treasurer.

Local grant monies are received in check form by the Treasurer's office.

Rental Receipts: The School District rents their school facilities to various community groups. An individual from the community group must fill out a Facility Request form with the building principal. The Facility Request form includes the name of the community group, the date and hours of the event, the building to be rented, the custodian and/or rental fee, the name, address and telephone number of the applicant and the building principal's signature. The Facility Request form is then sent to the Superintendent who signs and forwards it to the Treasurer's office. The Treasurer's office keeps the original copy of the Facility Request form and makes two photocopies of the form. One copy is returned to the applicant and the other copy is given to the building principal for their records. The Treasurer's office bills the community groups a custodian and/or rental fee after the event takes place. These groups usually bring or send a check to the Treasurer's office. The Treasurer will match the amount on the check to a copy of the billing invoice and prepare a handwritten receipt to give to the individual.

Receipts from Sale of Capital Assets: Monies from the sale of capital assets are usually received by the Treasurer or the Assistant to the Treasurer, typically in cash or check form. If the individual requests a receipt, the Treasurer or the Assistant to the Treasurer will prepare a handwritten receipt.

**Beaver Local School District – Columbiana County**

**Financial Accounting Report**

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**Revenue Activity**  
(continued)

**Auditor of State Comments**

1. Cafeteria receipts are posted in a monthly lump sum amount on the last day of each month. Cafeteria receipts should be posted at least on a weekly basis.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Purchasing Process

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 appropriations. 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 Treasurer's certification of the availability of funds stating that the amount has been appropriated and is free from previously encumbered obligations. 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 fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such 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.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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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 attached thereto that the school district has sufficient revenue to enable the school district to both pay the contract and 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).

Section 2909.33(C), Revised Code, provides that prior to entering into a contract to conduct business or receive funding, any person, company, affiliated group, or organization, and any person who holds, owns, or otherwise has a controlling interest in a company, affiliated group, or organization that conducts any business with or receives funding in an aggregate amount greater than one hundred thousand dollars annually from the State, any instrumentality of the State, and any political subdivision of the State, excluding the amount of any personal benefit, shall certify that it does not provide material assistance to any organization on the United States department of state terrorist exclusion list. The certification shall be made by completing the declaration of material assistance/nonassistance described in division (A) of this section.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Purchasing Process

(continued)

Section 9.231(A)(1), Revised Code, provides that a governmental entity shall not disburse money totaling twenty-five thousand dollars or more to any person for the provision of services for the primary benefit of individuals or the public and not for the primary benefit of a governmental entity or the employees of a governmental entity, unless the contracting authority of the governmental entity first enters into a written contract with the person that is signed by the person or by an officer or agent of the person authorized to legally bind the person and that embodies all of the requirements and conditions set forth in Sections 9.23 to 9.236 of the Revised Code. If the disbursement of money occurs over the course of a governmental entity's fiscal year, rather than in a lump sum, the contracting authority of the governmental entity shall enter into the written contract with the person at the point during the governmental entity's fiscal year that at least seventy-five thousand dollars has been disbursed by the governmental entity to the person. Thereafter, the contracting authority of the governmental entity shall enter into the written contract with the person at the beginning of the governmental entity's fiscal year, if, during the immediately preceding fiscal year, the governmental entity disbursed to that person an aggregate amount totaling at least seventy-five thousand dollars.

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.

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.

Section 3313.18, Revised Code, states that "...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 such warrant is issued, is provided for in such annual appropriation resolution."

Financial Planning and Supervision Commission - Under Section 3316 Revised Code, the Commission assumes the power to approve personal service, employment and collective bargaining contracts, approve all contracts above \$5,000, and have all purchase orders reviewed by the fiscal monitor.



# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Purchasing Process

(continued)

Campaign Financing (HB 694) - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

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

### School District’s Purchasing Process

The Board of Education has adopted formal policies for the purchasing process. Board policy states that all purchases that are within appropriated amounts and were originally contemplated within the budget may be made upon authorization of the Treasurer and Superintendent. The policies address procedures for receiving quotations and bids, awarding bids, issuing “Then and Now” purchase orders and issuing blanket purchase orders.

When goods or services are required at a school building an employee completes a purchase order form. The purchase order form also serves as a requisition. The Treasurer’s office has created an Excel purchase order form template for employees to use. The building principals have the Excel template on their computers and they email it to employees requesting a purchase order form. The purchase order form includes the originator, vendor, date, type and quantity of items requested, price and expenditure code. By use of a formula, the Excel template calculates the total price on the purchase order based on the quantity and price per unit entered by the employee. After filling in the template, the employee prints out the purchase order form and signs it. The purchase order form is submitted to the building principal or supervisor who approves the purchase order by signing it. The form is then sent to the board office where the Superintendent and Treasurer review the purchase order and sign it. Next, the purchase order must be signed by the Secretary of the Fiscal Oversight Commission who visits the School District twice a month. If the purchase order is over \$5,000 it must be presented at a Commission meeting and approved by the Commission before being signed by the Secretary of the Fiscal Oversight Commission. If the contract is over \$25,000 it must also be approved by the Board through resolution. Purchase orders are used for all purchases and contracts of the School District.

Contracts which exceed \$25,000 are given to the Treasurer to make the necessary arrangements for public bidding. At the bid opening, the Treasurer receives and records all bids. For building improvement contracts, the School District’s architect reviews the bids and makes a recommendation to the Board. For school bus purchase contracts, the Transportation Director reviews the bids and makes a recommendation to the Board. The Board, by resolution, awards the contract. When major contracts exist, the Treasurer prepares a 412 Certificate which certifies that the School District has sufficient revenue to support those contracts. When feasible, purchases or contracts of \$10,000 but under \$25,000 that are purchased through the Treasurer’s office are based on price quotations submitted by at least three vendors.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Purchasing Process

(continued)

An active vendor list is maintained by the Treasurer's office. New vendors are added to the system when necessary. The Treasurer and the Assistant to the Treasurer are the only individuals who can add new vendors to the system. For new vendors, the employee fills out the name and address of the vendor on the purchase order form. According to Board policy, the Assistant to the Treasurer 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. If no findings exist, the Assistant to the Treasurer assigns the vendor a vendor number and enters the new vendor's information into the computer system. The Assistant to the Treasurer will also send an IRS Form W-9 to the vendor, requesting the vendor's taxpayer identification number. The vendor fills out the IRS Form W-9 and sends it back to the Treasurer's office.

The Treasurer's office assigns purchase order numbers. The Treasurer, Assistant to the Treasurer and the Payroll Clerk track purchase order numbers used and assign the next available purchase order number. The purchase order numbers are tracked in a handwritten purchase order register which also serves as a quick reference. The purchase order number is handwritten on the purchase order form.

The Assistant to the Treasurer enters all information from the purchase order form, including the assigned purchase order number, into the system. The accounting system will not allow the same purchase order number to be used more than once. If an employee accidentally enters a previously used purchase order number, the system will display an error message such as "purchase order already on file". The posting of the purchase order automatically records an encumbrance in the system.

The computer system will not allow a purchase order for an amount which exceeds appropriations. An error message such as "no appropriation set up" or "cash balance in the negative" is displayed. The Assistant to the Treasurer takes the purchase order to the Treasurer who reviews the budget and appropriations to determine whether the fund has sufficient cash. If there is cash available in the fund, the Treasurer will make a transfer between the various appropriation accounts to cover the deficiency in the accounts.

The Treasurer's office distributes three copies of the purchase order form. The original copy is filed in the Treasurer's office. Two photocopies are made of the original purchase order form. One of the copies is either mailed, faxed or hand delivered to the vendor to order the goods. The other copy of the purchase order form (receiving order) is sent to the building where the requisition originated.

The School District purchases goods and services with blanket purchase orders as needed. For the School District, blanket purchase orders are used in areas such as home economic supplies, food service and transportation. The Treasurer issues blanket certificates under the old statutory restriction of 90 days or \$5,000. Expenditures made against blanket purchase orders are tracked by running a Transaction Ledger Report from the accounting system. The Transaction Ledger Report details the expenditures made against each purchase order and the amount remaining on the purchase order.

"Then and Now" purchase orders are prepared for purchases without prior approval. "Then and Now" purchase orders must be approved by the Board if greater than \$1,000. If they are less than \$1,000, the Treasurer has the authority to approve such purchase orders. However, the Treasurer only approves the use of "Then and Now" purchase orders if the purchase was necessary and appropriations are available. If not, the amount is not approved and the employee who initiated the purchase is responsible for the payment.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Purchasing Process

(continued)

Every six months, the Treasurer reviews the open purchase orders to determine whether a purchase order should be closed or whether invoices still exist against the purchase order. At fiscal year end, if invoices still exist against an existing purchase order, that purchase order will be carried over to the following fiscal year. Any unneeded purchase orders are cancelled along with the corresponding encumbrances.

#### Auditor of State Comments

1. The School District does not perform a search of the United States Department of State's terrorist exclusion list website. The School District should perform a search of the United States Department of State's terrorist exclusion list website (<http://www.state.gov/s/ct/rls/other/des/123086.htm#>) and keep a printed copy of the results of the search on file as proof of verification of vendors.
2. 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 Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days and \$5,000. The board of education should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 monies 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 “...whenever a 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.”

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Cash Disbursements

(continued)

#### Administrative Code Requirements

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

#### School District’s Cash Disbursement Process

The employee who initiated the purchase requisition and the Assistant to the Treasurer has the responsibility to ensure that goods and services are received prior to payment. When the goods or services have been received, the employee at the building who receives the shipment of goods verifies the contents to the packing slip and the receiving order. If not all goods are received or incorrect items are received, the employee will contact the vendor and resolve the issue accordingly. Once the goods or services have been verified as received, the receiving order is signed and dated by the employee. The receiving order along with the packing slip is then sent to the Treasurer’s office.

The packing slip, receiving order and original purchase order waiting to be matched to the invoice is paper clipped together and filed alphabetically in a separate vendor file known as the “accounts payable file” in the Treasurer’s office. When the invoice is received, it is filed with the corresponding documents.

The majority of invoices are received directly by the Assistant to the Treasurer in the Treasurer’s office; however, occasionally some invoices will arrive at the school buildings. When this happens, the invoice will be sent to the Treasurer’s office. Upon receiving the invoice, the Assistant to the Treasurer matches it to the receiving order signed by the employee to make sure that everything invoiced was actually received and compares the items, quantities, and unit price on the receiving order to the invoice. The Treasurer’s office will not pay an invoice without a signed receiving order. If an invoice is wrong, the Assistant to the Treasurer investigates why there is a difference and contacts the vendor to notify the vendor of the error. The error is then resolved accordingly. If an employee has purchased and received goods prior to a purchase order being completed a “Then and Now” purchase order is used. The Treasurer or Assistant to the Treasurer will contact the building principal to determine the reason the purchase was made and to receive approval for the purchase. After receiving the building principal’s approval, the Treasurer will complete a purchase order form and attach a “Then and Now” certificate. Board approval is required if the then and now purchase order is over \$1,000.

If the invoice amount exceeds the purchase order, the Assistant to the Treasurer will present the purchase order to the Treasurer. The price difference is usually due to shipping costs that were not included in the purchase order. If the invoice amount exceeds the purchase order by less than 5 percent, the Treasurer will initial and mark the purchase order complete and the invoice is paid in full. However, if the invoice exceeds the purchase order by 5 percent or more, the Treasurer or the Assistant to the Treasurer will call the vendor to determine why the amount on the invoice is higher. If the discrepancy resulted from an error by the School District, the Treasurer will cross out the original total amount on the purchase order, write in the new total and initial the purchase order for approval.

The Assistant to the Treasurer enters the data that creates a voucher into the School District’s computer system by entering the vendor, account code, invoice number, purchase order number, and amount of the invoice which creates a check in the system.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Cash Disbursements

(continued)

In the majority of instances, payment is not made on an order until all goods have been received. Once the remainder of the order is received, the receiving order is sent to the Assistant to the Treasurer who compares it to the invoice.

In rare instances, a partial payment will be made if all the goods are not received at the same time. This occurs if the School District has agreed ahead of time to make a partial payment to a particular vendor due to certain items being on backorder. In this case, the building employee makes a copy of the receiving order and marks on the copy which items were received. The building employee signs the copy of the receiving order and sends it to the Assistant to the Treasurer. The Assistant to the Treasurer matches the copy of the receiving order with the items received marked to the invoice to make sure everything invoiced was actually received. The Assistant to the Treasurer writes the date, check number, and amount of the partial payment on the original copy of the purchase order.

Prior to printing the checks, the Assistant to the Treasurer informs the Treasurer of the various types of invoices to be paid as well as the total dollar amount of the invoices. The Treasurer verifies that sufficient funds are available to pay the invoices and approves the printing of checks.

Checks are normally printed every ten days. The blank check stock paper is kept in a locked file cabinet in the Treasurer's office. The check stock paper is completely blank, not pre-numbered and not containing school name, account number or any other information. This information is printed on the checks. The Assistant to the Treasurer uses a computer program to create and print the checks. The check printing program is user name and password protected. The Treasurer and the Assistant to the Treasurer have access to the security code for printing budgetary checks. The electronic check signer is accessed by inserting a small floppy disk into the computer that loads the electronic signature. The floppy disk is secured in a locked file cabinet. The Assistant to the Treasurer compares the checks on the computer screen to the vouchers to ensure that the checks are payable to the same vendor and the amount agrees to the invoice. After reviewing the checks on the computer screen, the Assistant to the Treasurer prints the checks from the system, mails the check along with the remittance form, and removes the voucher packet from the "accounts payable file" and attaches a copy of the check to the front of it.

All checks have two copies 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.

The voucher packet includes the white copy of the check, the invoice, the original copy of the purchase order, the receiving order, and any packing slips. All voucher packets are filed numerically by check number in the Treasurer's office.

Debt payments are all made by budgetary checks processed by the Assistant to the Treasurer.

If a check is voided, the Assistant to the Treasurer handwrites "VOID" on the check and cuts out the signature portion of the check. The voided checks are filed in numerical order in the Treasurer's Office. The Assistant to the Treasurer will also mark that a check was voided on the voucher packet. The voided checks are entered into the accounting system.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Cash Disbursements

(continued)

#### 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 and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Payroll Processing

#### Description of an Effective Method of Payroll Processing

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the 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. The Personnel office 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 nonteaching school employees and Section 3317.14, Revised Code, for teachers, require school districts participating in the school foundation program to annually adopt a salary schedule for nonteaching 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 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 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 Beaver Local School District are represented by the Ohio Association of Public School Employees Local Chapter #564.



## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Payroll Processing

(continued)

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 Board of Education has adopted formal policies for the payroll process regarding payroll authorization and payroll deductions. The employment of all School District personnel must be approved by the Board. Deductions are made from an employee's paycheck upon proper authorization on the appropriate form.

All full and part-time employees are compensated biweekly. There are approximately 222 full and part-time employees within the School District. The School District's pay period for all employees begins on Sunday and ends on Saturday, 14 days later. Employees are paid on Friday, one day prior to the pay period ending date. Any overtime or extra time earned during the pay period is paid in the following pay period.

In addition to their bi-weekly pay, employees may receive additional amounts along with their regular compensation for supplemental contracts, extra pays, stipends or longevity. Employees receiving an actual check, as well as those with direct deposit, receive a pay stub which includes an earnings statement portion that indicates gross and net earnings, withholdings (year-to-date and for the pay period), leave usage during the pay period, and leave balances as of the end of the pay period. For those employees with direct deposit, the bottom portion of the pay stub is a direct deposit notification.

All certified and non-certified employment applications are received and kept on file by the Treasurer's office. Recommendations for employment are made to the Board of Education by the Superintendent and are recorded in the minutes by the Treasurer. Copies of all employee records, transcripts, licenses, and evaluations, financial data, such as withholding forms and other payroll related data are kept in a personnel file in the Treasurer's office.

The School District's employees can be categorized under one of six payroll groups: administrators, certified, classified, other employees, supplemental and substitutes. Each of these payroll groups are further described in the following paragraphs.

Administrators: Administrators include the Superintendent, Principals, employees in the Treasurer's office and department supervisors. Individual administrative contracts are prepared by the Payroll Clerk in the Treasurer's office based upon contract provisions approved by the Board of Education. The contract provisions establish the annual rate of pay, annual vacation days to be credited, and job duties and expectations for each employee. In addition, the contract provisions state the Board will provide the employee with a \$50,000 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, Treasurer and Principals typically run from August through July of the subsequent year or years. Contracts are paid over twenty-six pays. The signed contracts are kept on file in the Treasurer's office.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Beaver Local School District and the Beaver Local Education Association. The present negotiated agreement covers the period September 1, 2008 through August 31, 2011. The negotiated agreement established 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 amounts for certified employees. Certified employees do not earn vacation.

Individual teacher contracts are prepared by the Payroll Clerk. The employee receives two copies of the contract, one copy is to be signed by the employee and returned to the Treasurer's office and the other copy is for the employee's records. The contracts are approved by the Board and signed by both the Treasurer and the Board President. The contracts are kept on file with the Treasurer's office. The teachers' contracts are normally mailed in April or May prior to the end of the school year.

From the individual contracts and the salary schedules, the Treasurer prepares a contracts spreadsheet listing each employee and their contract amounts. The Treasurer merges the employee contract information from the excel spreadsheet into a word document to create the salary notices. Salary notices are mailed out to the employees before July 1. If employees disagree with the contract amount on the salary notice, they can contact the Treasurer's office to resolve the issue.

From the Treasurer's contracts spreadsheet, the Payroll Clerk manually enters the contract amounts into the payroll system. The Assistant to the Treasurer checks the amounts entered by the Payroll Clerk. The payroll system calculates the amount to be paid to each employee over twenty-six pays.

For any change that results in a pay schedule adjustment, the teacher is required to contact the Treasurer's office so contract changes can be processed. The Treasurer's office requires the teacher to provide a copy of their transcript to support the change prior to the first day of the first or second semester. After receiving support for the change, the treasurer will update the employee's contract amount in the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays.

Classified Employees: Salaries and benefits for custodians, bus drivers, mechanics, cafeteria workers, secretaries, and paraprofessionals are governed by a contract negotiated between the Beaver Local School District and the Ohio Association of Public School Employees Local Chapter #564. The present contract covers the period from July 1, 2007 through June 30, 2010. This contract has been extended one year to cover the period through June 30, 2011.

The contract sets forth the hourly rates for classified positions. The contract also 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 at one and a half times the employee's regular rate. Employees are considered full time if they work thirty or more hours per week.

Individual classified contracts are prepared by the Payroll Clerk. As per negotiated agreement, classified employees are given a one-year contract in the first year of employment. Following the first year of employment, classified employees are given a two-year contract. Following the third year of employment, classified employees are given 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.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Payroll Processing

(continued)

The procedures for preparing and mailing out the salary notices as well as entering the contract amounts into the payroll system are the same as those described for certified.

Each classified employee fills out and signs an individual timesheet. The classified timesheets are used only to verify that employees actually worked their regular hours. Each timesheet includes the employee's name, position and the hours worked each day in a two week pay period. The timesheet is then submitted to the employee's supervisor. The employee's supervisor reviews the timesheet and signs it. The supervisor forwards the timesheets to the Payroll Clerk in the Treasurer's office. The Payroll Clerk reviews the timesheets and verifies their mathematical accuracy as well as matches any time marked as leave to an approved absence report. The Payroll Clerk resolves any discrepancies found on the timesheet with the supervisor and the employee prior to processing.

Overtime: Overtime earned by classified employees is paid in the pay period following the pay period in which it was earned. Overtime is paid at a rate of one and a half times the employee's regular rate. Overtime is recorded on an individual employee overtime report. All overtime has to be approved by the employee's supervisor each pay period. The Payroll Clerk verifies the mathematical accuracy of the overtime reports and enters the overtime amount for each employee into the payroll system.

Extra time earned is entered into the payroll system based on the hours recorded on the certified extra duty reports. The extra duty reports are approved by the employee's supervisor. The extra duty reports are submitted to the Payroll Clerk in the Treasurer's office who enters them into the payroll system.

Other Employees: Board members are paid at a maximum rate of \$125 per meeting. The Treasurer takes a roll call at every board meeting and marks down the board members in attendance. After the meeting, board member attendance is entered into a spreadsheet. The Payroll Clerk uses this board attendance spreadsheet to calculate and enter payroll for the board members. The board members are paid twice a year, once in June (for meetings in January through June) and once in December (for meetings in July through December).

Supplemental: The Treasurer is responsible for preparing supplemental contracts. These contracts are issued as the Treasurer's office receives the assignments for each supplemental position. The Board of Education approves the supplemental contracts before they are mailed to employees. All supplemental contracts, except Faculty Manager and Athletic Director, are paid in one lump-sum payment after the contracted duties are completed. The supplemental contracts for Faculty Manager and Athletic Director are paid over twenty-six pays.

Substitutes: The building secretaries call substitute teachers when needed. The building secretaries also have the substitute teacher fill out a substitute bi-weekly time report. Every two weeks, the building secretary uses the substitute time reports to prepare a Certified Substitute Report. This report lists the names of the absent teachers, dates of absence, type of leave (sick, personal or other), and the names of the replacement substitute teachers. The Certified Substitute Report is signed by the building principal and submitted to the Treasurer's office along with the individual substitute time reports. The Payroll Clerk receives these reports and enters this information into the payroll system. Substitute teachers are paid a daily rate and are used as needed.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Withholdings: A new employee packet is given to new employees to be completed, signed, and returned to the Treasurer's office. This packet includes a payroll information form, direct deposit authorization form and various tax and retirement forms. The Treasurer's office enters the information into the computer. If employees need to change any of the information on these forms they can obtain the appropriate form from the Treasurer's office. Withholding and various deduction forms are maintained in the Treasurer's office. Federal and State employee withholding deductions are made by ACH payments. Local employee withholding deductions are paid by budgetary check.

The School District provides various benefits to employees. Benefits received by employees include vacation, sick and personal leave, retirement, health insurance and severance.

Leave: Vacation and 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 a rate of 1.25 days for each calendar month. Vacation, personal, and sick leave usage is posted in the payroll system by the Payroll Clerk every pay according to the amount of time recorded on the absence reports. The system updates the balances automatically.

Vacation, personal or professional leave is approved by the employee's immediate supervisor in advance. The supervisor forwards the leave request forms to the Payroll Clerk.

Sick leave is not required to be requested in advance. Certified employees contact the Executive Secretary at the board office and classified employees contact the department supervisor to report off sick.

After returning from any form of leave, the employee must fill out and sign an absence report. The absence report includes the employee's name, building, dates of absence and total days absent. The absence report is given to the building principal or department supervisor who also signs it. The absence report is then sent to the Payroll Clerk in the Treasurer's office. The Payroll Clerk matches the absence report to the leave request forms. The Payroll Clerk uses the absence report to enter vacation, sick and personal leave usage into the payroll system.

STRS/SERS: Payroll deductions for STRS and SERS are processed through the payroll system and filed timely. The Board share of retirement is deducted from the State Foundation. Therefore, the Treasurer's office books the Board share as a memo expenditure and mails the employee share to STRS and SERS.

Bi-weekly, the Payroll Clerk completes the STRS Employer Cash Receipt Remittance Form and mails it to STRS along with payment of the employee share for that pay period. SERS employee contributions are paid monthly. Each month, the Payroll Clerk completes the SERS Cash Deposit Report and mails it to SERS along with payment.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Other Employee Benefits: The School District provides medical, prescription, vision and dental benefits to all full-time employees administered through Anthem, Vision Service Plan and AFSCME Care. All certified employees hired prior to July 1, 1994 are required to pay \$30 per month for medical and prescription coverage. The Board pays 100 percent of the dental and vision premium for employees hired prior to July 1, 1994. All certified employees hired between July 1, 1994 and June 30, 1997 are required to pay 5.0 percent of the monthly premium not to exceed \$35 for single coverage per month and \$65 for family coverage per month. Certified employees hired on July 1, 1997 and after are required to pay 10.0 percent of the monthly premium not to exceed \$55 for single coverage per month and \$105 for family coverage per month. For all classified employees hired prior to November 1, 2007 the Board pays 100 percent of the premium. All classified employees hired after November 1, 2007 are required to pay 10.0 percent of the monthly premium not to exceed \$25 for single per month and \$55 for family per month. Medical, prescription, vision and dental insurance benefits are pro-rated for part-time employees. Life insurance benefits are provided through Sun Life Financial. The Board provides each full-time and part-time employee with term life insurance of \$50,000.

Payroll Deductions: Payroll deductions for medical, prescription, vision, dental and life insurance benefits are processed through the payroll system. The School District pays both the employer and employee portion by processing a budgetary check. The employee portion withheld from the employee's paycheck is used to reimburse the School District. The Payroll Clerk is responsible for the preparation of the documentation for the payments of medical, prescription, vision, dental and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Payroll Clerk.

Severance: The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is calculated based on the number of accumulated unused sick leave days up to a maximum of 120 days times the employee's daily rate. Payments to classified employees retiring from the School District are equal to the employee's daily rate times one fourth of their unused sick leave, not to exceed 100 days paid.

Payroll Preparation: Access to the payroll system is password protected. The Treasurer has given authority to ACCESS, the School District's A-site, to grant access and supply a password. The Treasurer, Assistant to the Treasurer and the Payroll Clerk have full access to the payroll system.

All payroll information must be received by Tuesday morning following the end of the pay period. Overtime and extra time from the previous pay period is entered into the payroll system by the Payroll Clerk. Once all payroll information is entered into the system on Monday and Tuesday, the payroll is ready to be processed.

The first report run is the bi-weekly report called INICAL. The INICAL lists the total regular employee bi-weekly payroll prior to exceptions (stipends, certain supplementals, miscellaneous pays, etc.) The next payroll report generated is a distribution proof listing called PAYSUM which details out the gross payroll by individual employee. The Payroll Clerk will review this report and check for any unusual entries and make any necessary corrections.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### Payroll Processing

(continued)

The next step is to run the CALCPAY program which generates four reports, the PAYRPT, DEDTOT, the CALCERR, and the BUDPRO. The PAYRPT details the gross payroll and deductions by individual and pay group. The DEDTOT lists all payroll deductions including STRS and SERS deductions. The CALCERR lists items that are unusual and may need further attention. This report is reviewed by the Payroll Clerk for any errors. The BUDPRO details the gross payroll by budget account. The Payroll Clerk reviews this report to verify there are no errors in the payroll coding.

Payroll checks are printed in the Treasurer's office no later than the Wednesday of every pay week. The blank check stock paper is kept in a locked file cabinet in the Treasurer's office. The check stock paper is completely blank, not pre-numbered and not containing school name, account number or any other information. This information is printed on the checks. All payroll checks are signed electronically through the printer. The Payroll Clerk uses a computer program to create and print the checks. The electronic check signer is accessed by inserting a small floppy disk into the computer that loads the electronic signature. The small floppy disk is kept in a locked file cabinet. Only the Treasurer, the Assistant to the Treasurer and the Payroll Clerk have a key to unlock the file cabinet.

Prior to printing the payroll checks and electronically submitting the direct deposits, the Payroll Clerk has the Treasurer or Assistant to the Treasurer review the payroll. The Treasurer or Assistant to the Treasurer check to see that the employee pay rates are correct and that overtime and extra time hours have been entered correctly.

The Payroll Clerk prints the payroll checks and direct deposits the data using the CHKPRP program. Direct deposits are submitted electronically to the bank by Wednesday. After submitting the direct deposits, the Payroll Clerk logs into the bank's website. The Payroll Clerk verifies that the direct deposit amount on the bank webpage matches the total on the PAYDIR report. The Assistant to the Treasurer generates a budgetary check to transfer funds from the general checking account to the payroll account. The Treasurer deposits the check into the payroll account.

Direct deposit is mandatory for all employees except for classified employees hired prior to July 1, 2008 who have a choice between direct deposit and paper checks. Paper checks are signed at the time of printing with an electronic check signer through the printer. During the school year, the paper checks are sent to the department or building where the employee works. During the summer, the paper checks for nine month employees are mailed to the employee's home.

Employees can choose to receive a printed pay stub or they may receive their pay stub through email. The printed pay stubs are distributed to employees on Friday of the payroll week. Emailed pay stubs are usually sent to employees on late Thursday afternoon of the payroll week. During the school year, the printed pay stubs are sent to the department or building where the employee works. During the summer, the printed pay stubs for nine month employees are mailed to the employee's home.

Payroll checks and direct deposits are posted to the payroll system and general ledger system by running the CHKUPD program. Appropriate deduction checks are printed and posted to the payroll system and general ledger system by running the DEDRPT and PAYDED.

The AUTOPOST program automatically posts the payroll information to the accounts from which the employees are charged within the payroll system and the budgetary system.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Payroll Processing (continued)

Internal Revenue Service W-2 forms are processed before the end of January of the new 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 District's A-site, ACCESS.

### Auditor of State Comments

None.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 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 ensure the timely payment of both principal and interest.

#### Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. 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

Debt issuances are approved by the Board through resolution. The Board resolution identifies the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

The Treasurer matches all bills received for debt to the appropriate amortization schedules to ensure that the correct debt payments are made. Debt payments are all made by budgetary check. All debt documents and amortization schedules are kept on file in the Treasurer's office.

The amount of the School District's outstanding debt at June 30, 2011 was \$464,726 and consists of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2011</u>
<u>OWDA Loan:</u>		
Water Tap-in Fee Payments	1.00%	\$161,467
<u>Capital Leases:</u>		
FY 2011 Bus Lease Purchase	5.25%	<u>303,259</u>
<i>Total Capital Leases</i>		<u>303,259</u>
<i>Total Debt</i>		<u><u>\$464,726</u></u>



# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Debt Administration

(continued)

In fiscal year 2002, the School District received a \$270,618 Ohio Water Development Authority loan for water tap-in fee payments. The loan was issued for a twenty year period with a final maturity on January 1, 2022. This loan will be paid from the bond retirement debt service fund.

In fiscal year 2011, the School District entered into a capital lease for school busses. This lease continues until June 2015 and will be paid from the federal stimulus fund and the general fund.

### Auditor of State Comments

None.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

#### Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the School District should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the School District should be adequately safeguarded against loss or theft. The School District should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage value. 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 asset, tag number, whether the item is leased, and current purchases and disposals. 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 reassignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed periodically.

Consumable materials and supplies lose their original shape or appearance with use. Examples include office supplies, gasoline, cafeteria supplies and food, and donated commodities. Inventories, where appropriate, should be monitored, controlled, and a physical inventory of materials and supplies should be performed periodically to ensure that items purchased are on hand or have been used. A physical inventory of all material items should be conducted at or near fiscal year-end.

#### 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 \$10,000, 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 the 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. Real property is a permanent improvement and the proceeds are to be recorded into a permanent improvement fund as per Section 5705.01 and 5705.10 Revised Code.

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. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(continued)

#### School District's Method of Accounting for Capital Assets

The Board of Education has adopted formal policies regarding capital assets and inventory. The Board policy defines capital assets as those tangible assets of the School District with a useful life in excess of one year and an initial cost equal to or exceeding the amount determined annually in the School District's administrative guidelines. The policy does not specify a dollar amount for the capital asset threshold but in practice the School District capitalizes assets with costs of or exceeding \$1,000. Assets for which accountability is desired that have a value less than \$1,000 may, at the School District's discretion, be entered into the capital asset system for control purposes only but are not reported on the financial statements. The policy states that if a single item does not meet the threshold amount, but is typically purchased in aggregate, the Treasurer shall use discretion in deciding whether or not the items shall be capitalized. The classification of capital assets includes land, land improvements, building and improvements, furniture and equipment and vehicles. All assets are capitalized at cost or historical cost.

The policy further requires the School District to maintain a capital assets accounting system. The capital assets accounting system is to provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principles, determine adequate insurance coverage and provide control and accountability. The Treasurer's office is responsible for the development and maintenance of the capital assets accounting system.

The capitalization threshold used by the School District is \$1,000. When the Treasurer receives purchase orders for equipment, he attaches an Inventory Form along with a copy of the purchase order and sends it to the employee. The employee fills out the items added section of the Inventory Form and returns it to the Treasurer's office. The information filled in includes the equipment name, type of equipment, purchase order number, model number, serial number, purchase price and building location. The Treasurer verifies that the purchase price listed on the Inventory Form matches the invoice and check amount and determines if the item should be capitalized. An inventory tag number is assigned to all assets over \$1,000 and all additional items that the School District has identified as needing to be tracked. The School District also physically tags all equipment, including items which are not capitalized, such as calculators. A copy of the Inventory Form is returned to the employee along with a physical inventory asset tag. For large asset purchases, such as bus and mass computer purchases, the Treasurer completes the Inventory Form.

The assets are entered in the School District's State software system including, but not limited to, the inventory tag number, purchase order number, check number, serial number, location of asset, type of asset and the fund and function from which the asset was purchased. All items under the \$1,000 threshold are omitted from reports summarizing capital assets for financial reporting. Items under \$1,000 are only on reports used to track inventory.

The Treasurer also enters asset additions into the Valuation Engineers database. The Treasurer enters all items that have been given an inventory tag number but only codes the items that are to be capitalized with a "C". This database is transferred electronically to Valuation Engineers who close out the database and roll the information over to the next year. Valuation Engineers use the information in the database to certify insurable values each year for the School District.

The Treasurer enters the useful life and depreciation method to be used into the State software system to calculate annual depreciation. Salvage value is not used. The computer system calculates depreciation for the School District for all assets.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(continued)

When capital assets are disposed of or transferred, the employee will fill out the items deleted or transferred section of the Inventory Form and send it to the Treasurer's office. The employee fills in the name/description of the asset being deleted, model number, serial number, asset tag number and the new location of the asset or the reason for deletion. If the asset is being disposed of, the employee will also remove the physical asset tag and tape it to the Inventory Form. When the Treasurer receives the Inventory Form, he will enter the deleted asset into the state software system and the Valuation Engineers database.

Each year, the Treasurer performs a physical inventory of a sample of randomly selected rooms. The School District tracks capital assets by room. The Treasurer compares the items on the School District's capital asset reports to what items are actually present in the room and notes any necessary changes. Any necessary changes are made on the School District's system.

### School District's Methods for Assets for Supplies

The Board of Education has adopted formal policies for consumable inventory. The Board shall maintain record of consumable supplies on a monthly basis. The Superintendent, Treasurer and building principals are responsible to ensure that inventories are recorded systematically and accurately.

The School District orders a majority of supplies through a central warehouse. The Head Executive Secretary in the Treasurer's office has the responsibility of ordering the supplies to be stocked in the warehouse. When an employee needs supplies, he or she fills out a purchase order form and submits it to the Treasurer's office. If the requested supplies are available at the warehouse, the Head Executive Secretary gathers the supplies from the warehouse and puts them in a box to be delivered to the school building by the maintenance staff. The Head Executive Secretary and the Superintendent are the only employees that have a key to the warehouse.

The Head Executive Secretary prepares a spreadsheet for warehouse supplies inventory on a monthly to bi-monthly basis. The first four columns of the spreadsheet list the item name, catalog order number, cost per unit and quantity on hand at the beginning of the period. The following columns record the quantity and extended dollar value of the supplies sent to each school building during the period. The last column calculates the updated inventory balances at the end of the period. This spreadsheet is used to calculate the year-end inventory balances that are found in the School District's annual financial report.

The Head Cook at each building takes a monthly physical inventory and sends the tally sheets to the Food Service Supervisor. The Food Service Supervisor then enters the quantities on hand for each inventory item into a formula spreadsheet that calculates the dollar amount of the inventory based on the cost per unit. The Food Service Supervisor uses the dollar totals from the monthly inventory spreadsheet to complete the State Child Nutrition reports online which are submitted to the State Department of Education.

### Auditor of State Comments

1. The Board policy does not state a capitalization threshold for capital assets. The School District should review and update their capitalization threshold. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(continued)

2. The capital asset policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 earnings made on the investment of the bond retirement fund, the sinking fund, a bond fund or the school facilities project fund.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Cash Management and Investing

(continued)

#### Federal Requirements

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) requires that, in order for a depositor to have a valid claim to assets of a failed financial institution, there must be a security agreement. This agreement must have been:

1. in writing;
2. executed by the financial institution and the depositor making the claim;
3. approved by the board of directors or loan committee of the institution; and
4. an official record of the financial institution continuously from the time of its execution.

If these requirements are not fulfilled, the Federal Deposit Insurance Cooperation (FDIC) may be able to void a security interest and leave the School District with only the right to share with other creditors in the pro rata distribution of the assets of a failed institution.

#### The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer and the Assistant to the Treasurer. The Assistant to the Treasurer reconciles the treasury with the accounting records. The Treasurer is responsible for the transfer of cash among the various bank accounts, investing activities and reviewing the monthly reconciliation prepared by the Assistant to the Treasurer. The School District maintains a general checking account, a payroll checking account, a food service account, a STAR Ohio investment account, a sweep account, a savings account and an athletic petty cash account.

The 1<sup>st</sup> National Community Bank checking account receives wire transfers and daily deposits for the Beaver Local School District. Checks are written against this account for the daily operations, other than payroll, of the School District.

The Assistant to the Treasurer reconciles the bank accounts each month. To identify outstanding checks, the Assistant to the Treasurer enters into the accounting system the check numbers that cleared the bank per the bank statement and then runs an outstanding check register report. Any discrepancies are noted on the monthly cash reconciliations. The Treasurer reviews this reconciliation and includes it as part of the Financial Commentary information packet that is presented to the Board of Education.

Voided general operations and payroll checks have the signature portion cut out and void written on them by the Assistant to the Treasurer or the Payroll Clerk. The Assistant to the Treasurer files these voided checks in a folder in numerical order.

The Board policy states that the Treasurer is authorized 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 STAR Ohio account, a savings account and a repurchase agreement. By resolution, the general fund and the food service fund receive interest. The Treasurer annually attends training on investing offered by the State Treasurer's office.

The athletic department, the lunchroom and the Treasurer's office maintain petty cash funds. The high school maintains a change fund. These funds are authorized by the Board.

**Beaver Local School District – Columbiana County**

**Financial Accounting Report**

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**Cash Management and Investing**  
(continued)

**Auditor of State Comments**

None.



# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 150 days after the close of the fiscal year-end. At the time the report is filed with the Auditor of State, the Treasurer 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.

#### The School District's Method of Financial Reporting

The School District uses software provided by the Area Cooperative Computerized Education Service System (ACCESS) which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports which are kept on file in the Treasurer's office.

During the monthly Board meetings, the Board members receive a Financial Commentary packet which includes a financial report for the general, emergency levy and poverty based assistance funds (sources of revenues and expenditures for the previous month and fiscal year-to-date), various graphs that display expenditure distribution and compare estimated revenues and expenditures to actual amounts on a monthly and cumulative basis, monthly cash reconciliation, schedule of interest earned on accounts, financial report by fund (receipts, expenditures, cash balance, outstanding encumbrances and current fund balance for each fund), food service income and expense comparison statement (food service receipts and expenditures for the previous month and fiscal year-to-date are compared to the prior fiscal year totals), and a list of bills paid for the previous month. Other financial reports are given according to requests 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 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 is distributed to all Board members.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### Financial Reporting

(continued)

The School District publishes a notice of the availability of the financial statements in the local newspaper. Copies of the financial statements are kept at the School District for the public and distributed when requested. All requests of financial information from the public are prepared and distributed by the Treasurer's office.

### Auditor of State Comments

None.

# Beaver Local School District – Columbiana County

## Financial Accounting Report

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### 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 Board members to review prior to the Board meeting at which they will vote upon it. In the adoption or passage of a resolution, the yeas and nays should be entered into the minutes and the 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 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 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 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 the Board.

Section 121.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and 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.

#### The School District's Method of Recording Official Proceedings

The Board of Education usually holds their regular monthly meetings on the second Monday of each month. The Treasurer takes notes during the Board of Education meetings. From those notes, as well as an audiotape recording of the meeting, the Treasurer prepares the minutes of the meeting. The minutes include who is in attendance, a summary of topics discussed, resolution numbers and a description of the resolution, votes on each resolution and any reports or materials handed out to support the resolutions. The minutes are approved by the Board at the following month's meeting and signed by the President of the Board and the Treasurer. Typed minutes, resolutions and supporting exhibits are kept in binders in the Treasurer's office. The typed minutes are also available on the school district's website.

#### Auditor of State Comments

None.

## Beaver Local School District – Columbiana County

### Financial Accounting Report

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#### 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. These methods, in some cases, vary from the actual methods used in performing the daily activities.

It is the opinion of the office of the Auditor of State that the current methods of the accounting and financial reporting of the Beaver Local 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.

**Beaver Local School District – Columbiana County**

**Financial Accounting Report**

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# Dave Yost • Auditor of State

**BEAVER LOCAL SCHOOL DISTRICT**

**COLUMBIANA 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  
NOVEMBER 22, 2011**