

***Southern Local School District***

***MEIGS COUNTY***

***Financial Accounting Report***

*Local Government Services Division*  
*Auditor of State's Office*

*Southern Local School District  
Financial Accounting Report*

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STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-  
4490

### CERTIFICATION

Pursuant to Section 3316.03(B), Revised Code, after the declaration of the existence of a fiscal emergency condition, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports of the Southern Local School District. This report states whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

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

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 Southern Local School District.

JIM PETRO  
Auditor of State

A handwritten signature in black ink, appearing to read "Christine L. Hansen".

Christine L. Hansen, CPA  
Chief of Local Government Services

February 8, 2000

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**Governance Overview**

The Southern Local 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 Southern Local School District being declared in a state of fiscal emergency, the School District was operated under a locally-elected five-member Board of Education and provided educational services mandated by the State and/or federal agencies.

On November 8, 1999, the Southern Local School District was declared in a state of fiscal emergency by the Auditor of State and, accordingly, a Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05(B). Commission membership is as follows:

1. The Director of Budget and Management designee;
2. The Superintendent of Public Instruction designee;
3. A resident/business owner within the District appointed by the County Auditor;
4. A local business person appointed by the Governor; and
5. A parent with children enrolled within the District appointed by the Superintendent of Public Instruction.

The Commission has the following powers, duties and functions:

1. Review or assume responsibility for the development of all tax budgets, tax levy and bond and note resolutions, appropriation measures, and certificates of estimated resources, to ensure they are consistent with the financial recovery plan;
2. Inspect and secure pertinent documents;
3. Review, revise and approve determinations and certifications affecting the School District made by the county budget commission or the county auditor;
4. Bring civil actions to enforce fiscal emergency provisions;
5. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance the Auditor of State's rules;
6. Assume responsibility for all debt issues;
7. Make and enter into all contracts necessary or incidental to the performance of its duties;
8. Implement cost reductions and revenue increases; and,
9. Develop a financial recovery plan.

The Financial Planning and Supervision Commission has not yet been completely established. The Governor's appointment has not yet been made. Once the Commission is established, the School District Board will continue to control the day-to-day operations and the Commission will review actions taken by the Board and make recommendations as it deems necessary. The Commission will also develop and adopt a financial recovery plan for the Southern Local School District.

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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 or the Auditor of State, and the Governor, the Director of Budget and Management, and the County Budget Commission, the Commission will be terminated.

Upon termination of the existing fiscal emergency and the Commission, all responsibility for the management of the School District will revert to the locally-elected Board.

**Auditor of State Comments**

1. The School District should establish an audit committee to act as an informed, vigilant, and effective overseer of the financial reporting process.

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**Budgetary Process**

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

**Statutory Requirements**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established time table. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only legally be made by resolution of the board of education.

**Tax Budget** Prior to January 15, the board of education is required to adopt an operating 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 to be filed with the county budget commission for rate determination actions.

**Estimated Resources** Prior to April 1, the board of education accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's certificate of estimated resources which states the projected 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 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. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the school district treasurer.

**Appropriations** Upon receipt from the county auditor of an amended certificate of estimated resources based on final assessed property values and tax rates or a certification stating no new certificate is necessary, the annual appropriation measure must be legally enacted by the board of education at the fund, function and object level of expenditures, which are the legal levels of budgetary control. 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 the legal level of appropriation must be approved by the board of education. The board may pass supplemental fund

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appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

**Budgeted Levels of Appropriation** Administrative control is maintained at the board's level of appropriation, which is generally by fund, function and object level, e.g., general fund, regular instruction, personal services. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution. The appropriations made by the board remain fixed unless amended by the board.

**Encumbrances** As part of formal budget control, purchase orders, contracts and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

### **School District Budgetary Process**

Prior to January 15, the Board of Education adopts an operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings are conducted to obtain taxpayer comments. By no later than January 20, the Board-adopted budget is filed with the Meigs County Budget Commission. In the Southern Local School District, the Treasurer is responsible for preparing the current year operating budget (tax budget) and for presenting the proposed operating budget to the Board for adoption.

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the County Budget Commission and receives the Commission's certificate of estimated resources. Prior to the start of the fiscal year, the Treasurer of the Southern Local School District, with Board approval, revises the appropriations so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the most recent certificate of estimated resources. On or about July 1, the Treasurer amends the certificate to include any unencumbered cash balances from the preceding year. The Treasurer amends the certificate at the beginning of the year if projected revenues increased or decreased.

When preparing the appropriations, the District considers the most recent certificate of estimated resources issued by the County Auditor as the maximum amount available for appropriation. The appropriations are based on the prior year spending and any anticipated changes. The Treasurer estimates the amount of appropriations needed which serves as a basis for the Board appropriation. The appropriations are then adopted and certified by the Board of Education. The Board adopts appropriations at the fund, function, and object level for all funds. The Treasurer then distributes each Board adopted appropriated amount to multiple accounts within the same budget classification on the system.

The Southern Local School District operates under a temporary appropriation measure and then passes a permanent appropriation measure. For fiscal year 2000, the School District passed permanent appropriations on October 25, 1999. Revisions to the appropriations and supplemental appropriations are approved by the Board of Education.

Prior to the end of the fiscal year, the Treasurer of the Southern Local School District does not revise the appropriations. The Treasurer uses the balancing program called "Set-Bal". This program automatically adjusts appropriation amounts and estimated revenue amounts to equal actual expenditures and revenues.

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**Auditor of State Comments**

1. The Treasurer should monitor revenues and expenditures on a monthly basis and compare them to revenue estimates and appropriations as adopted by the Board of Education.
2. The regular monitoring of estimated and actual receipts would allow the Treasurer to determine if a surplus or deficiency existed. Deficiencies may warrant reductions in proposed expenditures, at which time a revised or amended certificate of estimated resources would then need to be issued by the County Auditor.
3. The regular monitoring of appropriations to actual expenditures would allow the Treasurer to determine where modifications are needed. Once expenditure variances are identified, the Board of Education would be able to amend the appropriations as necessary.
4. The Treasurer should perform ongoing comparisons of appropriations to estimated revenues to prevent overspending of available resources.
5. The “Set-Bal” program should not be used for the purposes of adjusting revenues and expenditures to actual at year-end. The implementation of the monthly monitoring of actual revenues and expenditures to the revenue estimates and appropriations would result in the timely amendment of these items as indicated above.



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**Revenue Activity**

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. The receipt or pay-in order form should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the school district and reflect the date received, the payee amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payee. All receipts or pay-in orders should be posted in a timely manner.

**School District Revenue Process**

The Southern Local School District receives revenues from outside sources as well as revenue generated within the District for day-to-day operations and maintenance. The primary sources of outside receipts are real estate and personal property taxes as well as federal and local government sources such as homestead and rollback and state foundation revenue. Sources of revenue generated from within the School District are food service, athletic activities, yearbook sales and student activities.

**Local, State and Federal Revenue**

Real estate and personal property taxes are wire transferred to the District's general account. The Treasurer then receives copies of the settlement sheets from the County Auditor outlining the distribution of tax revenue between funds.

The foundation monies are wire transferred to the School District from the Ohio Department of Education. The foundation statements for the distribution of monies are mailed to the School District. The foundation statement is given to the Assistant Treasurer who prepares a receipt for the revenue.

A memo expenditure is prepared for STRS and SERS. Other adjustments and some expenditure deductions on the foundation settlement are recorded as negative receipts by the Assistant Treasurer.

When a check is received from the County Auditor, the Assistant Treasurer prepares a receipt for the revenue. A memo expenditure is prepared for the deductions. This information is entered into the system by the Assistant Treasurer. The Treasurer signs a copy of the tax settlement and returns it to the County Auditor.

The District receives various local, state, and federal revenue in the form of restricted and unrestricted grants which in all cases are wired transferred to the District's general account.

For new revenue sources, the Assistant Treasurer sets up a new cost center and then runs detailed REVSUM and BUDSUM reports. The reports provide detailed revenue and expenditure estimates. The anticipated revenue and expenditure amounts are utilized by the Board of Education to be included as appropriations, and to request amended certificates of estimated resources. The reports are given to the Treasurer so that he will know the new cost centers to use when assigning account codes to the receipts. As revenues are received and expenditures are incurred, the Treasurer and Assistant Treasurer enter the information into the accounting system.

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**Food Service Revenue**

Food service revenue is taken to the building secretary at the end of each day by each building cafeteria cashier. This revenue is accompanied by a receipt tally sheet which is prepared by the cashiers and which reconciles items sold with revenue collected. Prior to releasing the information to the building secretaries, the Food Service Supervisor reviews the information from each location for accuracy and from that information prepares deposit tallies. A copy of the deposit tally is then given to the building secretaries, who prepare a three-part deposit ticket from the information provided and the deposit is ready to be taken to the bank. Once the deposit is made, the yellow copy of the deposit ticket is given to the Assistant Treasurer who in turn prepares a receipt for each deposit. The receipts are kept in the Treasurer's office until month-end, at which time a control sheet is prepared by the Assistant Treasurer and given to the Food Service Supervisor to be compared to deposit tallies that were prepared earlier, to assure that all receipts were properly recorded. A copy of the deposit tally sheet is filed in the Treasurer's office and a copy is kept by the Food Service Supervisor. Based on the information supplied by the Treasurer's office, all the secretaries that prepare the deposit tickets and make the deposits are bonded.

**Athletic Activity Revenue**

Revenues generated through athletic activities are reconciled based on the amount of revenue received compared to the amount of pre-numbered tickets sold. The cash and the tally sheets are given to the Athletic Director when the event is over, at which time he verifies the information provided to him before he deposits the proceeds into the night depository. The Athletic Director picks the money up from the bank the next morning, counts it again, and prepares a transmittal form, which serves as the original receipt. The Athletic Director then brings the money and the transmittal form to the Treasurer's office, where the Treasurer counts the monies, prepares a deposit ticket and takes the money to the bank. Each transmittal form is initialed and dated, and the Treasurer gives the yellow copy to the Athletic Director and keeps the original. The Assistant Treasurer enters the receipt into the accounting system. The Athletic Director then prepares a tally sheet to compare receipts for each event. A copy of the tally sheet remains on file in the Treasurer's office and a copy remains on file with the Athletic Director. Based on the information supplied by the Treasurer's office, the Athletic Director is bonded.

**Yearbook Revenue**

Revenue collected by the yearbook advisor is taken to the Treasurer's office along with a transmittal form prepared by the yearbook advisor, which acts as the original receipt. The Treasurer counts the money, prepares the deposit, initials the transmittal form, gives a copy of the transmittal form to the advisor, and keeps the original in the Treasurer's office. A copy of the control sheet is kept by the yearbook advisor, with the original control sheet being kept in the Treasurer's office. The Assistant Treasurer enters the receipt into the accounting system. After the Treasurer deposits proceeds into the bank, the original copy of the transmittal form is kept in the Treasurer's office until month-end, at which time a control sheet is prepared by the Assistant Treasurer and given to the year book advisor to assure that all receipts were properly recorded. According to the information supplied by the Treasurer's office, the yearbook advisor is bonded.

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**Student Activity Revenue**

Student activity sponsors collect money from students for items sold at fund raising activities. Sponsors prepare tally sheets outlining cash collected for associated events and pass that information on to the building secretary. The building secretary prepares a cash transmittal form which acts as the original receipt and a duplicate deposit slip, and deposits the money in the bank. All building secretaries are authorized to handle bank deposits. The secretary brings the yellow deposit slip and the transmittal form to the Treasurer's office where the information is verified to the deposit ticket, initialed, dated, and a copy is returned to them for their records. The Assistant Treasurer then enters the receipt into the accounting system. In the case of a sales promotion, a sales potential form must be approved by the principal and the superintendent. When the sales potential form is completed and revenue is collected, the Treasurer compares collected revenue to reported sales at which time the Treasurer pays any bills arising out of the sale. At month-end a control sheet is prepared by the Treasurer's office and given to the person in charge of that activity, who will report to the Treasurer's office for correction, as necessary. According to information received from the Treasurer's office, the secretaries who prepare the deposit transmittals and make the deposit are bonded.

Deposits related to student activities, athletic events, and yearbook sales are documented on the transmittal form which acts as the document of original receipt and accompanies any monies received by the Treasurer to be deposited. The Treasurer, at the time of receipt, verifies the accuracy of the transmittal form for all receipts that have been deposited. When cash accompanies the transmittal form for athletic events, the Treasurer verifies the accuracy of the transmittal form, and the cash that accompanies the receipt, and the deposit is then made by the Treasurer.

All receipt source documents are signed off by the individual actually receiving the revenue and accompany the paperwork that is prepared and forwarded to the Treasurer's office for proper accounting treatment. All information is reviewed for accuracy by the Treasurer, himself, and filed in the Treasurer's office for future reference.

The District currently has no formal policy for the handling of NSF checks.

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**Auditor of State Comments**

1. The receipt book/ledger should be maintained where it is accessible by the individual responsible for collecting revenues. It is the original book of entry and should be completed immediately upon receipt of revenue. Transmittal forms which serve as the original receipt, should be pre-numbered to insure that proper controls are in place and all receipts have been processed properly.
2. All receipts should be counted or verified by a second employee. The second individual should initial the source documents indicating all amounts are correct.
3. Food service, student activities, and yearbook sales revenue should be recorded and deposited in the same manner as athletic event revenues. These deposits should be made by the Treasurer which would provide a more timely review of the receipt documents and the cash to be deposited. Implementation of this procedure would eliminate the need for the building secretaries to be bonded.
4. The District should adopt an NSF check policy . The District currently deals with this situation as it occurs. The frequency of receiving NSF checks is very limited, which is why no formal policy currently exists.

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**Purchasing Process**

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

**Authority to Contract** - school district contracts are made by the board of education and executed in the name of the school district by the superintendent and treasurer except as otherwise specified by statute.

**Major Contracts** - Substitute House Bill 412 provides guidelines for estimating revenues when completing the certificates under Section 5705.412, Revised Code. This section requires the treasurer, superintendent and the president of the board of education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate educational program for a specified number of days. The certification of adequate revenues must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules and construction contracts. In general, the certificate covers the remainder of the current fiscal year and two succeeding fiscal years or the term of the contract, whichever is longer. Obligations that do not have a certificate of adequate revenues as required are considered void and no payments may be made on void obligations.

**Bidding** - All school district contracts calling for expenditures in excess of \$25,000, must be in writing and made to the lowest responsible bidder. The board of education must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Acquisitions of educational materials used for teaching;
2. Any item which the board, by two-thirds vote, determines is available and can be obtained only through a single source;
3. Energy conservation projects may be excluded upon declaration of the board by a two-thirds vote; and
4. Acquisition of computer software or hardware for instructional purposes pursuant to Section 3313.37 (B)(5), Revised Code.

**Routine Purchasing** - Section 5705.41(D), Revised Code and other 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 school district that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the obligation in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance.

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The treasurer may prepare blanket purchase orders for authorizing obligations for a particular purpose over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any specific appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**“Super” Blanket Certification of the Availability of Funds** - The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. The certification is authorized to be outstanding for any period up to the end of the fiscal year and more than one certificate is permitted to be outstanding at one time. The certification must identify a specific line item appropriation in a specific fund. The certification may be limited to a specific vendor, if desired. A list of obligations incurred and expenditures made under each certification must be maintained by the fiscal officer.

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the subdivision; fuel oil, gasoline, food items, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

**Then and Now Certificate** - The treasurer’s certification is required to be secured at the time a purchase order is issued or a contract is executed. If prior 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 the process of collection to the credit of an appropriate fund free from any previous encumbrances. The board has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the school district.

Amounts of less than a \$1,000 may be paid by the treasurer without such affirmation of the board of education upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the board.

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:

**Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year** - Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made needs to be certified (1987 Op. Atty. Gen. 87-069).

**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).

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**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.

The administrative rules adopted under Chapter 117, Revised Code, require the use of purchase orders and the following:

- a. All purchase orders shall be numbered consecutively.
- b. The purchase order shall be prepared by the purchasing authority. Two copies shall be forwarded to the treasurer who shall complete and sign the certificate and forward one copy to the vendor. The treasurer's copy shall be used for posting in the appropriation and authorization ledger as provided in rule 117-2-13 of the Administrative Code. The third copy remains with the purchasing agent. The third copy serves as a receiving report and is returned to the treasurer once the item(s) are received and verified. The third copy of the purchase order is also attached to the voucher along with the invoice.
- c. Each executed purchase order/requisition must contain the date, appropriation fund code classification, executed treasurer's certificate, quantity and description of goods and services. When a blanket certification has been authorized, the purchase order indicates the blanket certification, the effective date of the certification, and the amount.

**School District's Purchasing Process**

Upon the determination that items need to be purchased, administrators, building employees, the food service supervisor, and the transportation supervisor have their building secretary complete a purchase order requisition. The purchase order requisition is then forwarded to the building principal for approval. Once approved, the purchase order requisition is forwarded to the Treasurer's office. At this point, the Assistant Treasurer assigns a number to a four-part purchase order and the Treasurer signs the purchase order. The Assistant Treasurer enters the purchase order into the computer and the amount is encumbered. The District uses State software and the "PORQ" program to enter purchase orders into the computer. The Assistant Treasurer then sends the white copy of the purchase order back to the originator. The Assistant Treasurer keeps the other three copies in the open purchase order file under the vendor number, associated with where the actual purchase will be made, until the order is completed. In the case of the high school, teachers can fill out purchase order requisitions and submit them to the building secretary. Each purchase order requisition that is associated with a specific a building is then reviewed and approved by the building principal. Once the Assistant Treasurer receives the approved requisition and forwards the white copy of the purchase order to the originator, a vendor number is assigned. The building principal, the Superintendent, and the Treasurer are all required to sign purchase orders once they are issued.

When the goods or services have been received, the goldenrod, canary yellow and pink copies of the purchase order are pulled by the Treasurer and receipt is documented on the purchase order. The purchase order is signed and passed on to the Assistant Treasurer to be filed back in the open purchase order file. As the invoices are received and prices and quantities verified, the Assistant Treasurer matches them to the open purchase order. Upon receiving the final invoice, the Treasurer verifies the final invoice to the open purchase order. Once the final invoice is received and verified by the Treasurer, he attaches the goldenrod copy of the purchase order to the invoice and gives the invoice package to the Assistant Treasurer. At this point the

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canary yellow copy of the purchase order is filed in the Treasurer's office for record keeping purposes and the pink copy is, in most cases, thrown away. If the amount of the invoice is in excess of the amount encumbered on the purchase order, the Assistant Treasurer calls the originator of the purchase order and confirms the amount. If the amount of the invoice is greater than the amount encumbered, the Assistant Treasurer calls the building of origin and confirms that the invoice is correct. If the amount is correct, she then adjusts the encumbered amount in the appropriate account. An additional certification of the availability of funds is not obtained.

The Assistant Treasurer runs an open purchase order report at the end of every month. Once the Assistant Treasurer processes the invoices on open purchase orders, these amounts are purged from the open purchase order register; however, they remain in the history look-up file.

**Auditor of State Comments**

1. The District needs to implement policies pertaining to payments on purchase orders that exceed the amount encumbered. When amounts materially exceed the original purchase order amounts, the Treasurer should prepare a "Then and Now" certificate for approval by the Board. Currently based on conversations with the Assistant Treasurer, as long as the overage is reasonable the District will pay it.
2. Policies should be implemented that would not allow purchase orders amounts to be posted against accounts that do not have sufficient appropriations to cover the amount of the purchase order.



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**Cash Disbursements**

The processing of invoices should ensure that each payment represents goods and 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 or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amounts and account 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 that there is adequate cash in the fund to pay the obligation. All checks should be signed by the treasurer and posted in the appropriate accounting records. Vouchers should be filed numerically or by vendor.

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

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

**No Certification** - If no certificate is furnished as required, upon receipt by the school district 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 the process of collection to the credit of an appropriate fund free from any previous encumbrances, the school district may authorize the drawing of a warrant in payment of amounts due upon such contract, but such a resolution shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the board if such expenditure is otherwise valid.

The administrative rules adopted under Chapter 117, Revised Code, define a voucher and the information to be disclosed thereon as follows:

- a. A “voucher” is a written order authorizing the drawing of a check in payment of a lawful obligation of the school district.
- b. The date, purchase order number, account code, amount, and other required information must be entered in the appropriate space or column provided on the form.
- c. Vouchers are required to be in the prescribed form, but may vary from this standard form to meet the individual requirements of the district.

**School District’s Cash Disbursement Process**

The Assistant Treasurer handles the weekly payment of the bills based on invoices approved for payment by the Treasurer. The invoice and supporting documentation are processed through the “CKPROC” program. The check pay report is run after the checks are printed to automatically post the information to the accounts in the system.

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Once the checks are printed, they are put through the check signor by the Assistant Treasurer. The check and copies are separated. The checks are three-part checks. The original is mailed to the vendor with the remittance advice, the pink copy is filed in the vendor file, and the yellow copy is attached to the invoice which becomes the voucher package and is filed by check number. Blank checks are locked in a file cabinet in the Treasurer's office. These checks are issued against the general account.

The Athletic Department utilizes a separate account used by the Athletic Director. The Athletic Department controls the checks, which are locked in the Athletic Director's office. The only manual checks prepared are written by the Athletic Department to pay referees, officials and other sports related expenditures. The Athletic Department account is reconciled by the Treasurer's Office.

The general account checks are reviewed by the Treasurer. This checking account is reconciled by the Assistant Treasurer. The general and Athletic Department accounts are the only checking accounts maintained by the District.

The signed check and supporting documentation are given to the Treasurer for review before the checks are mailed. Once the Treasurer is satisfied that invoices approved for payment are appropriate, the checks are mailed. The District currently handles payables through the general account.

**Auditor of State Comments**

1. The School District should establish a procedure for determining which invoices are to be paid and when. The invoices could be filed by due date, which would allow the District to take better advantage of vendor discounts.
2. The School District should assess adequate cross-training as it relates to the entire cash disbursement process, and most specifically the District's computerized disbursement program. In the absence of the Assistant Treasurer, the disbursement responsibilities often go untouched until she returns. The Treasurer, or other staff within the Treasurer's office as appropriate, should become more familiar with these processes to insure workflow continuity.

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**Payroll Process**

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, federal and state taxes, should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the school district should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be made by a check signed by the appropriate official. Payment of deductions and the related employer obligations should be within the time established and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by federal/or state laws.

The following State statutes apply:

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

Section 3307.01, 3307.381, 3307.51, 3307.53, and 3307.56, Revised Code, for State Teachers Retirement System (STRS) and Sections 3309.23, 3309.341, 3309.47 and 3309.49, Revised Code, for 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 the behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate system the amounts withheld, matched with an appropriate percentage of employer matching contributions.

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 (the school districts generally may provide more than the minimum), and indicate the procedures for paying the employees for leave balances credited to them upon separation from service.

Section 3311.19 and 3313.12, Revised Code, for school board compensation and mileage; Section 3313.24, Revised Code, for compensation of school treasurers; Section 3319.01, Revised Code, for appointment and duties of superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other (school) administrators; Section 3319.08, Revised Code, for teacher employment and re-employment contracts; Section 3319.10, Revised Code, for employment and status of substitute teachers; and, Section 3319.081, Revised Code, for contracts for non-teaching classified employees, provide authority for appointment and/or compensation of officials and employees of a school district.

**School District's Payroll Processing Procedures**

The School District employs approximately 58 teachers, substitute teachers and administrators, and 40 classified employees. A computerized payroll system is utilized by the Treasurer and Assistant Treasurer to process all payroll information and transactions for the District's 98 employees.

The teachers' salaries and benefits are governed by a negotiated agreement between the Southern Local School District Board of Education and the Southern Local Education Association. This contract will expire on June 30, 2000 and negotiations are currently in process. The classified employees' salaries and benefits are governed by a contract negotiated between the Southern Local Board of Education and

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OAPSE/AFSME/AFL-CIO. This agreement will expire on June 30, 2000 and contract negotiations are currently in process.

New contracts are prepared for certified teaching staff and administrators by the Treasurer. The contracts are reviewed and approved by the Board and become effective September 1 and run through June 30 of the subsequent year. At the time of approval the contracts are made available to be reviewed and signed by contracted personnel. Once reviewed and signed, the contracts must be returned before the thirtieth day of September. Once the contracts have been signed and returned to the Treasurer's office, the Treasurer prepares a spreadsheet which divides the contracted amounts per individual over twenty-six pay periods. These are the amounts that are entered into the payroll program and represent a portion of the amount appropriated for personal services. The only time contracts are adjusted is when a certified employee's degree status changes.

The classified employees paid on an hourly rate include the cafeteria workers, educational and library aides, transportation staff, secretaries and any student workers. These rates are based upon amounts set forth in the negotiated agreements. Each of these employees must complete a time sheet for each pay period and it must be turned into the Treasurer's office no later than the Friday before payday. The completed time sheets are signed by the employee, and the employee's supervisor or building principal.

Tutors are hourly employees; however, they are entered into the system as salaried employees. The special education department converts the hourly rate into a salary amount based on twenty-six pays for each tutor and then they are placed into the computer as new contracts. The District employs three full-time tutors. The Superintendent and the building principal review and sign off on time sheets for tutors.

The Treasurer is responsible for issuing supplemental contracts, which are issued at the same time regular certified and classified contracts are issued. Any supplemental contract issued to an employee of the District is paid in a lump sum at the end of season or sport for which the supplemental contract is issued. For instance, football and basketball supplemental contracts are paid at the end of their respective seasons. The cheerleader advisor supplemental contract is the only one that is paid at the beginning of the school year.

Administrative contracts are prepared by the Treasurer's office based upon contract provisions approved by the Board. Once the contract is signed by the employee, the original is forwarded to the Treasurer's office. The contract remains with the Assistant Treasurer for payroll purposes once the signed contract is received. The Superintendent, the Transportation Supervisor, the Treasurer and the Assistant Treasurer have two hundred and sixty day contracts. Principals contracts vary in length based on their building responsibilities. Administrative contracts are effective from August to July. This includes approximately nine employees. The Treasurer and Assistant Treasurer contracts run from January through December.

A record of substitute form (for certified employees) is used when teachers take sick or personal leave. The teacher completes the top of the form and the substitute teacher completes the bottom. The substitute teacher and the building principal must sign the form. The leave form is required any time leave is taken. These forms are available in each building. The completed forms are given to the building secretary for the principal's approval. The principal forwards the forms to the Superintendent for approval. Once signed, the forms are sent to the Treasurer's office where the number of days a substitute works for a teacher is tracked and, based on that information, the Assistant Treasurer calculates the amounts owed to the substitute. Once they are approved, the information is keyed into the payroll system by the Assistant Treasurer. These forms are filed in the Treasurer's office.

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The employee leave form mentioned above also covers vacation, sick, personal, leave without pay, and bereavement for non-teaching personnel. At the time of completion, the type of leave desired and the form is forwarded to the building principal's office for approval, and later forwarded to the Superintendent for his approval. All classified employee leave request forms are approved by the building principal except the transportation department. The transportation department leave forms are approved by the District Superintendent.

Any leave without pay request must be pre-approved by the Superintendent. He prepares a letter authorizing the leave and sends a copy to the Treasurer's office. The Treasurer's office prepares an estimate of the amount to be adjusted based on the employee's contract in relationship to the amount of leave requested. The estimate is sent to the employee. The estimate is used in the computer dock program. Once the estimate is placed into this program, the computer program subtracts the regular contract pay from the estimated amount or "docks" the employee until the estimated amount reaches zero, then the computer will again start to prepare checks for this employee.

Board members are paid for no more than 25 meetings per year at a rate of \$80 per meeting. The Treasurer's office prepares checks for each board member.

When the Assistant Treasurer prepares a payroll, the Board members and time-sheet employees are the only ones that need to be added, all other employees' salaries were established for the year when their annual contracts were entered in the system. Once time sheets are completed by each employee, they are forwarded to the building principal for approval. Prior to the Treasurer's office receiving approved leave forms and time sheets, the Superintendent reviews them for accuracy. After all leave forms and time sheets are received by the Treasurer's office, they are grouped in alphabetical order. The payroll system is initialized using the "INICAL" software program (the beginning figures for the current payroll are checked against the ending figures for the last payroll). Next, time sheets and leave forms are entered using the "UPDCAL\_CUR" software program. The "CALCPAY" software program is run to generate several reports to verify the accuracy of the collected information before the checks are printed. The "CHKPRT" software program sets the beginning check number. The checks are then printed using the "CHKFORM\_TXT". Payroll reports are printed using the "PAYRPT" software program. The Assistant Treasurer checks these reports against the forms and the time sheets. This process is further monitored by the Treasurer.

A check from the main account is prepared by the Treasurer for the amount of the gross payroll. The check is then deposited in the payroll clearing account prior to payday.

Each building principal picks up the checks for all the employees in his/her building including custodial, food service, and transportation employees from the Treasurer's office. The principal signs for and verifies that all checks are included. The signed document is prepared by the Assistant Treasurer to account for each payroll check.

Once all employee checks have been issued, the deduction checks are printed. The payroll program will not generate the Board's share of withholding checks, so these checks are always manually typed. The federal income tax withholdings and medicare amounts are transmitted to the bank by telephone after each payroll. The State withholdings are paid once a month by mail to the State Department of Taxation using pre-printed payment stubs furnished by the Department of Taxation. A variety of payment dates exist for the remaining deductions which include SERS, STRS, and other benefits.

After the first payroll of each month, the BENACC (benefits update) program is run. At the end of every month, the RETREG (updates retirement) and the AUDRPT (updates all other changes) programs are run.

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The Assistant Treasurer enters withholding information from W-4 forms completed by certified, administrative and classified employees. At year-end, the Assistant Treasurer utilizes the payroll system to generate employee W-2 statements.

The payroll account is reconciled by the Assistant Treasurer on a monthly basis, and reviewed and initialed by the Treasurer.

All unused payroll checks are locked in a file cabinet in the Treasurer's office.

**Auditor of State Comments:**

1. A rotation of the reconciliation and the payroll preparation responsibilities should be coordinated between the Treasurer and the Assistant Treasurer. Currently, the Assistant Treasurer is the only individual familiar with the payroll program used by the District. The Treasurer should become more familiar with the overall process to ensure continuity in the absence of the Assistant Treasurer and to ensure adequate monitoring of programs.

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**Debt Activity**

The issuance of debt is strictly controlled by State statute. A resolution authorizing the issuance of debt must be approved by the Board of Education. The statute authorizing the debt issuance should be identified in the resolution as well as the purpose of the debt, maturity date, lender, interest rate, and source of revenue to be used for repayment.

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

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

**School District's Debt**

	Principal Outstanding 06/30/99	Additions	Deletions	Principal Outstanding 06/30/00
U.S. EPA Loan May 1995 - 17 Years - Interest Free	\$171,275	\$0	\$11,812	\$159,463
House Bill 264 Note August 1994 - 10 Years - 5.75%	325,000	0	40,000	285,000

The funds necessary for payment of the principal and interest are provided by general fund transfers and property taxes.

The School District's Schedule M, Schedule of Debt Service Requirements to Maturity, in the cash basis annual financial report for fiscal year ending June 30, 1999 outlines principal and interest payments for H.B. 264 and the U.S. EPA loan for asbestos removal. The schedule omits the final payment of \$5,906 of the asbestos removal (U.S. EPA Loan) due May 30, 2012. It should be noted that the Southern Local School District is awaiting proceeds in the amount of approximately \$627,000 from the Solvency Assistance Fund to be repaid in two years.

Once the District receives authorization on the amount to be received from the Solvency Assistance Fund, which includes a repayment schedule, these amounts should be included in the debt schedule. The District keeps all debt repayment schedules on file in the Treasurer's office. It is the responsibility of the Treasurer to maintain and update repayment schedules at the end of each fiscal year.

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**Auditor of State Comments**

1. The Treasurer should verify the accuracy of outstanding debt balances reported in the financial statements.



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**Fixed Assets and Supplies Inventories**

Fixed assets of the school district should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the treasurer. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of any asset should be properly authorized and reported to the treasurer.

**School District's Methods of Accounting for Fixed Assets**

The District has no formal fixed asset policy. The District had a fixed asset inventory performed by Valuation Engineers, Incorporated in February 1996. Due to the District's financial condition no other fixed asset inventories have been performed. Valuation Engineers, Inc. provides the District with forms to periodically update its fixed asset inventory. Upon the acquisition of any fixed asset, the employee or department is supposed to fill out an acquisition form, which includes all the pertinent information about the equipment and serves as a request for a bar label code. Once this form was received by the Treasurer, he would verify that the information contained on the form was consistent with the invoice and purchase order; then, he would send the bar code label to the employee or department. If equipment was to be transferred between departments, a form would be completed and sent to the Treasurer for approval. The Treasurer would then collect all the forms and send them to Valuation Engineers, Inc. Upon receipt of the information, the appraisal company would update the School District's records, calculate depreciation, print updated reports and send them back to the School District. The School District only has Valuation Engineers, Inc. perform a physical inventory when there have been major changes in fixed assets during the year. The next scheduled fixed asset inventory is scheduled to occur after the completion of the new K-8 facility on or about August 2001.

**School District's Methods of Accounting for Supplies**

The Assistant Treasurer is responsible for maintaining the inventory of consumable supplies. Each year, a memorandum is sent to department heads, principals, and supervisors to provide guidance on taking the consumable supplies inventory. Consumable supplies inventory forms are completed by the departments and forwarded to the Treasurer's office; however, inventories are not physically counted nor are they spot checked and the extensions are not checked for accuracy by the Treasurer's office.

**Auditor of State Comments**

1. The District needs to implement and adhere to a sound fixed asset policy which includes a threshold for capitalization.
2. To ensure adequate controls over fixed assets and to prevent theft or loss, a physical inventory of fixed assets should be taken by the School District on a periodic basis, but at least annually.
3. The School District should implement proper fixed asset and consumable supplies inventory policies and procedures at all levels and hold personnel who do not follow those policies and procedures accountable to the Board of Education.

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4. The School District should obtain a copy of the Fixed Asset Manual published by the Auditor of State's Office to use as a guide in the development and implementation of fixed asset policies, procedures, and forms. The School District should consider utilizing the Department of Education's fixed asset system.
  
5. The School District also needs to develop a formal materials and supply inventory procedure with periodic verification by count and the development of accompanying reports.

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**Cash Management and Investing**

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. Inactive cash should be invested according to Senate Bill 81. 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.

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

**School District's Method of Cash Management and Investing**

The School District's treasury activities are the responsibility of the Treasurer. These activities include the acquisition and sale of investments and the transfer of cash assets among the various bank accounts. The School District maintains four checking accounts to segregate and control the cash flow and a StarOhio investment account. These accounts are as follows:

Home National Bank:  
General Account

This checking account is used for the general operation of the District.

Home National Bank:  
Project Construction Account

This interest bearing checking account is used for payments to contractors, consultants, and architects for the new Elementary/ Middle school project.

Home National Bank:  
Payroll Account

This checking account is used for the biweekly payroll distribution.

Home National Bank:  
Athletic Account

This checking account is used for the payment of athletic officials and referees.

StarOhio:  
General Account

This account will be used to pay for the construction of the Elementary/Middle school.

The Assistant Treasurer prepares the outstanding check list, identifies deposits in-transit, and reconciles all accounts with the exception of the payroll account. The Treasurer prepares the reconciliation of the payroll account. When reconciling the general accounts, the Assistant Treasurer compares the monthly reconciliation report to the total fund balances. The Treasurer then reviews the general account reconciliation, and the Assistant Treasurer reviews the payroll account reconciliation. Any adjustments that

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are discovered during the review process are discussed in general the Treasurer and the Assistant Treasurer until a decision is reached or the problem is reconciled.

The School District's investment policy addresses authorized investments and liquidity. Currently the School District invests only in StarOhio. The proceeds being invested are monies to be used for the purpose of constructing a new Elementary/Middle school.

**Auditor of State Comments**

1. The School District should complete monthly bank reconciliations. The reconciliation should include detailed explanations of all adjustments. These adjustments should be posted to the District's books on a timely basis, and the bank reconciliation should be presented to the Board of Education by the middle of the following month.
2. Someone other than the person preparing the reconciliation should review and approve all monthly bank reconciliations on a timely basis. The reviewer should initial and date the reviewed reconciliation.
3. The District should establish a formal interest allocation policy through Board of Education resolution. The policy should list the specific funds to receive interest and how the interest is to be allocated. The interest from the StarOhio accounts currently resides in the Permanent Improvement Fund and is being used to offset contractor, consultant and architect fees.

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**Financial Reporting**

The treasurer should provide the board of education with financial information including year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the school district. In addition, information concerning the estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the board's review. By July 31 of every year, the treasurer should complete a Form 4502, Annual Financial Report, for the Ohio Department of Education. Depending on the district's computer system, the report is either generated by the system or completed manually on the prescribed form. If the district prepares the 4502 using State software, the report is transmitted via modem to the Department of Education. If the District completes the 4502 manually, a hard copy is mailed to the Department of Education.

School district's are required by Chapter 117, Revised Code, to prepare and publish an annual financial report. The report must be certified by the treasurer of the board and filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year if reporting on a generally accepted accounting principles (GAAP) basis. At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper a notice of the completion of the report and the fact that the report is available at the office of the fiscal officer. All school district's were required to report on a GAAP basis for the fiscal year ended June 30, 1996.

**School District's Financial Reporting**

The District uses State software and therefore has the ability to print multiple standard and customized month-to-date and year-to-date reports, place them in binders and store them in the Treasurer's office. Payroll, month-to-date, year-to-date, quarterly, and annual payroll reports are kept in the Treasurer's office.

At the Board meetings, the Treasurer supplies the Board with an Appropriations Summary by Function and Object report, a copy of the detailed FINANC report for various student activity funds, and an investment summary report indicating the amount of interest earned during the month. Following the release of the School District's cash basis annual audit report, the Treasurer supplies the Board members with copies.

The School District accounts for its daily operations on a cash basis of accounting. The School District's computer system generates daily reports with information pertaining to cash activity, receipts, expenditures and encumbrances. If these reports do not contain the desired information, reports can be generated in any format needed.

The Southern Local School District is currently filing a cash basis financial report at fiscal year end and it is filed with the State Department of Education on a timely basis. The Treasurer, in the interest of the District's current financial condition, has not yet contracted with a outside firm or attempted to prepare GAAP basis financial statements.

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**Auditor of State Comments**

1. The School District should develop and implement a comprehensive financial and accounting policies and procedures manual covering all aspects and functions of the Treasurer's office and how other departments account for monies, supplies, and property.
2. The Treasurer should review the debt schedules in the cash basis annual financial report for accuracy at the time of filing.
3. The Treasurer and the School District should be taking steps toward the preparation of GAAP basis financial statements consistent with the Ohio Administrative Code.

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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 and Procedures Manual, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

In conclusion, it is our opinion that the current methods of the accounting and financial reporting of the Southern 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.