



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

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STATE OF OHIO

**Trimble Local School District**  
**Athens County**

**Report on Accounting Methods**

**Trimble Local School District, Athens County**  
**Report on Accounting Methods**  
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STATE OF OHIO  
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### CERTIFICATION

Within ninety days after the declaration of the existence of a fiscal emergency condition pursuant to Section 3316.10(A), Revised Code, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports of the Trimble 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 Trimble 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 Trimble Local School District.

JIM PETRO  
Auditor of State

April 28, 2001

# **Trimble Local School District Athens County Financial Accounting Report**

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## **Governance Overview**

Trimble 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) and provided educational services mandated by the State and/or federal agencies.

On January 31, 2001, 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 and owner of a local business appointed by the county auditor;
4. A local business person appointed by the Governor; and
5. A parent with children enrolled in the School District appointed by the superintendent of public instruction.

The Financial Planning and Supervision Commission has been established and given the authority to assume complete managerial control of the Trimble Local School District under Ohio Revised Code Sections 3316.06 and 3316.07. 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 shall enumerate respectively, the powers and duties of the Commission and the duties of the school board during that period in the financial recovery plan.

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

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 with 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.

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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**

The Commission has not yet formally defined the level of fiscal and management 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 role of the Commission and the School Board are to be addressed in the financial recovery plan.

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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 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 functions and major objects of expenditures. The process should encompass current operations and maintenance for the various school 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 for the School District 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 actions.

**Estimated Resources:** Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's official certificate of estimated resources which 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; however, the balance in any reserve balance account and the principal of any nonexpendable trust funds are excluded. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the school district treasurer.

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

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A certificate of adequate revenues is to be attached to the appropriation measures of the current fiscal 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. A certificate of adequate revenues 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 district may pass an annual appropriation measure; and, (3) an amended official certificate of estimated resources for the current year, if required, has not been certified to the board of education under division (B) of section 5705.36 of the Revised Code.

The certificate of adequate revenues is to be signed by the treasurer and president of the board of education and the superintendent of the school district, unless the district is in a state of fiscal emergency. In that case, the certificate shall be signed by a member of the district's financial planning and supervision commission who is designated by the commission for this purpose.

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

Administrative Code Requirements: All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.

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, Rule 117-6-02 of the Administrative Code sets the minimum legal level of control at the fund level; however, it is recommended 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: Under Rule 3301-92-05 of the Administrative Code, the events for which each school district shall certify the availability of revenue pursuant to section 5705.412 of the Revised Code include, but are not limited to appropriation measures.

Five-year Financial Forecast: School districts are required under Rule 3301-92-04 of the Ohio Administrative Code to submit to the Department of Education a five-year projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. The projection shall contain information and be in a format as prescribed by the Department of Education and Auditor of State. The forecast is to be filed upon the adoption of an annual appropriation measure but no later than December thirty-first of the current fiscal year. A school district is required to update its five-year projection by June thirtieth if the school district experiences a deviation of revenues or expenditures in a net amount of five percent or more from its original projections.

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**School District's Budgetary Process:** Prior to January 15, the Board of Education adopts a tax budget for the fiscal year commencing the following July 1. The 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. The Board-adopted budget is filed with the Athens County Budget Commission no later than January 20. The Treasurer is responsible for preparing the current year operating budget (tax budget) and for presenting the proposed 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 end of the fiscal year, the Treasurer of the School District revises the appropriations so that total contemplated expenditures from any fund during the current year will not exceed the amount stated in the most recent amended certificate of estimated resources. The revised appropriations are submitted to the Board for approval by resolution.

At the close of the fiscal year, the Treasurer certifies year end fund balances to the Budget Commission and requests an Amended Official Certificate of Estimated Resources that includes unencumbered cash balances from the preceding year. The Treasurer also requests additional certificates periodically during the year if projected revenues increased or decreased.

When preparing the appropriations, the School District considers the most recent Amended Official Certificate of Estimated Resources issued by the County Auditor as the maximum amount available for appropriation. The appropriations are based on prior year spending and any anticipated changes. The Treasurer estimates the amount of appropriations needed which serves as a basis for the board resolution. The appropriations are then adopted and certified by the Board of Education. The Board adopts appropriations at the fund, function, and object level. The Treasurer then posts appropriations at these amounts to the accounting system.

The School District operates under a temporary appropriation measure based on the original certificate of estimated resources, and then passes a permanent appropriation measure by October 1. For fiscal year 2001, the School District passed permanent appropriations on September 11, 2000. The Treasurer reviews appropriations monthly. Any necessary revisions to the appropriations and supplemental appropriations are approved by the Board of Education.

**Auditor of State Comments**

The Treasurer should periodically compare estimated to actual revenue to determine if the School District will receive the amounts anticipated on the most recent amended certificate of estimated resources. If it is determined that receipts will be less than anticipated, the Treasurer should obtain a reduced amended certificate. The Treasurer should then review appropriations to determine that they have not exceeded the new amended certificate.



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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. The receipt or pay-in-order form should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the entity 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 deposited and posted 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 moneys received exceeds one thousand dollars. If the total amount of the public moneys so received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

**School District's Revenue Receipt Process**

All revenues received are recorded by the assistant treasurer, who also prepares the deposit slip and takes the money to the bank. A copy of the deposit slip is attached to a sheet outlining amounts and accounts for all revenues included in the deposit. When the assistant treasurer responsible for depositing receipts is unavailable, the assistant treasurer responsible for payroll can perform these functions. The deposit ticket copy and revenue sheet are given to the Treasurer who enters the receipts into the computer. The School District receives school foundation monies from the Ohio Department of Education, property taxes from the Athens and Morgan County Auditors, grants from various sources, and revenue from athletic events, cafeteria sales, student activities, and interest. The School District does not charge classroom fees.

**Receipt of Foundation:** The foundation monies are wire transferred to the School District's general account from the Ohio Department of Education. The foundation statements for the distribution of the monies are mailed to the School District. The foundation statement is given to the Treasurer who posts the revenue and the memo expenditures for the STRS and SERS deductions.

**Receipt of Property Taxes:** When a check and tax settlement sheet are received from the Athens or Morgan County Auditors for property taxes, the assistant treasurer prepares the deposit slip. A sheet outlining amounts and accounts for the gross amount of the taxes received as well as memo expenditures for deductions is prepared by the Treasurer. The Treasurer enters the receipt into the computer.

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**Receipt of Grant Monies:** The School District receives various federal, state, and local revenue in the form of restricted and unrestricted grants. Some of these revenues are wire transferred to the District's general account, while the School District receives a check or warrant for others. When monies are received by direct deposit, the Treasurer is notified, usually by letter, that a deposit has been made to the School District's account. The Treasurer prepares and posts a receipt identifying the source, amount, and type of revenue being received. When monies are received directly by the School District, the assistant treasurer prepares a deposit ticket and a revenue sheet that indicates the amount and type of revenue. The Treasurer uses this sheet to post the revenue.

**Athletic Event Receipts:** The School District requires payment for attendance at football and basketball games. The athletic director prepares a sheet for use with each game that includes the event, date, and beginning ticket number of each ticket roll being used. Persons buying tickets pay the ticket seller and receive their ticket. The ticket is given to a ticket taker at the entrance to the game, who tears the ticket in two. The ticket seller is responsible for entering the last ticket number sold and amount collected on a game sheet. At the conclusion of each event, the ticket seller completes the game sheet and gives the completed sheet and money collected to one of two assistant treasurers. The assistant treasurer compares the amount collected to the tickets sold. If there are discrepancies, they are resolved the next school day through discussions between the athletic director, assistant treasurer and treasurer. The assistant treasurer prepares a deposit ticket and deposits the collections in the bank's night depository the night of the game. The next school day, the assistant treasurer obtains a stamped deposit ticket from the bank and gives the game sheet and deposit ticket to the Treasurer, who posts the revenue. The athletic director also sells single and family season passes, which are good for all games. These can be purchased throughout the school year. The athletic director turns the money collected over to the assistant treasurer, who prepares a receipt form and a deposit ticket and takes the money to the bank. The assistant treasurer gives the receipt form and deposit ticket to the Treasurer, who posts the revenue. A list is kept of season pass holders, but passes are not numbered.

**Student Activity Receipts:** When a student organization has a fund raiser, a sales project potential form must be completed and signed by the advisor. If the fund raiser requires the purchase of goods for resale, a requisition is attached to the sales project potential form. The form must then be approved by the building principal. After the principal signs the form and the requisition, it is forwarded to the assistant treasurer, who processes the requisition as noted in the "Purchasing" section of this document. Further processing does not occur until the form and the requisition are properly completed. Upon completion of the fund raiser, the bottom half of the sales project potential form must be completed. This shows the sales figures, including total money collected. When the form is completed it is given with money collected to the assistant treasurer, who verifies the form for accuracy, counts the money, prepares the deposit ticket and receipt report, and deposits the money in the bank. The assistant treasurer gives the deposit ticket and receipt report to the Treasurer, who posts the revenue.

**Receipt of Cafeteria Monies:** At the Elementary/Middle School, teachers collect money each morning from students purchasing breakfasts or lunches. Students are allowed to charge or pay in advance. Each teacher is responsible for their students' balances. Teachers may serve themselves "a la carte" items during the day and leave money on the lunchroom aide's desk, or may charge their purchase and leave a note for the lunchroom aide. Each teacher records daily collections on a daily sheet that is tallied by a lunchroom aide. Any money received after the morning collection is added to the daily sheet. After the lunch period is over, the lunchroom aide prepares the deposit ticket and agrees the amount to the tally sheets. Breakfast receipts

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are commingled with lunch receipts. On the daily report, breakfast receipts are made to agree with the breakfast count recorded by food service workers. Remaining receipts are agreed to lunch counts recorded by teachers and verified by the lunchroom aide. Any money left over is recorded as "a la carte." The lunchroom aide cashes personal checks for teachers and other school employees. It is also the practice to cash checks made out to Trimble Local School District for teachers who collect money for field trips or class purchases, such as calculators. Receipts are deposited daily by the lunchroom aide. A copy of the deposit ticket is forwarded to the Treasurer, who posts the receipts to the computer.

At the high school, the assistant treasurer collects all lunch money as the students proceed through the lunch line. There are no advance sales. At the end of the lunch period the assistant treasurer totals the collections and agrees this amount to the cash register tape on a daily sheet. She then prepares a deposit ticket and takes the money to the bank. The daily sheet with a copy of the deposit ticket attached is given to the Treasurer who posts the receipt.

**Miscellaneous Receipts:** The School District may on occasion receive money from sources not described above. One instance may be the rental of a school building by an outside organization. There is no formal policy regarding the use of school facilities. Only in exceptional circumstances, such as a community festival, does the School District charge for the use of its buildings. Charging for the use of a building is determined on a case by case basis. When a payment is made, the assistant treasurer prepares a deposit ticket and deposits the money in the bank. A copy of the deposit ticket is forwarded to the Treasurer, who posts the receipts to the computer.

**Auditor of State Comments**

1. Season passes should be prenumbered to insure that all passes have been accounted for.
2. The School District should have a policy regarding the cashing of personal checks.
3. All monies collected by employees of the School District should be paid in to the treasury. Teachers should not be cashing checks and taking the proceeds to purchase supplies or pay for field trips for their students. All disbursements should be handled with a proper requisition and purchase order.
4. Daily reports prepared by the elementary school lunchroom aide should be reviewed by the assistant treasurer or Treasurer.
5. All forms used to account for the collection of monies should be initialed by the preparer, as well as by the Treasurer to indicate that a review has been performed.
6. The number of people collecting and tracking receipts and the amount of manual paperwork to account for receipts is extensive, and allows for errors or omissions. The School District should consider an automated system for lunchroom collections.

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**Purchasing Process**

**Description of an Effective Method for Purchasing**

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing process should be integrated with the budget. The process should include an 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 fiscal officer's certification of the availability of funds and 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 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 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 over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies.

“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, and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

Then and Now Certification - It is intended that the Treasurer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must

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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.

Authority to Contract - School District contracts are made by the School Board 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 designates that the State Department of Education and the Auditor of State jointly shall adopt rules to estimate revenue. Guidelines for estimating revenues are provided in Rule 3301-92-05 (B), Administrative Code, when completing the certificates under Section 5705.412, Revised Code. This section requires that treasurers, presidents of boards of education, superintendents, and members of financial planning and supervision commissions shall estimate revenues and determine whether such revenue is sufficient to provide necessary operating revenue for the purpose of making certifications required by the section. 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 term of the contract and salary or wage schedule. 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 shall be in writing and made to the lowest and best bidder. The School Board must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Acquisition of educational materials used for teaching;
2. Any item which the School Board, by a 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 School Board by a two-thirds vote;
4. Acquisition of computer software or hardware for instructional purposes pursuant to Section 3313.37(B)(5), Revised Code;
5. Personal services of a specialized nature;
6. Goods and services when only one source is available;
7. Work to be done or for the purchase of supplies and materials if a real and present emergency exists;
8. The purchase of used equipment and supplies at a public auction or at a sale where bids are required by all parties wishing to purchase;
9. Purchases from other political subdivisions and agencies; and,
10. Goods purchased under the State Cooperative Purchasing Program

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

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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).

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.

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

**School District's Purchasing Process:**

When goods or services are required, the employee completes a requisition form with the vendor name and address, items to be ordered, including quantity, description, unit price, and total cost, as well as any shipping information required. Requisition forms are color-coded by building. The requisition is signed by the employee and forwarded to the employee's building principal or supervisor. Requisitions without complete information are returned to the employee. The principal or supervisor approves the requisition by signature and forwards it to the Treasurer, who verifies the availability of appropriated funds and then assigns account numbers. If funds are not available, the Treasurer sends the requisition back to the employee initiating the requisition. If funds are available the Treasurer gives the requisition to the assistant treasurer, who creates the purchase order. New vendors are entered at this time.

The Treasurer, Superintendent, and President of the Board of Education have not attached their certification that adequate revenues will be available to maintain all personnel and programs to all of its negotiated agreements, increased salary or wage schedules, and construction contracts.

The purchase order forms are sequentially numbered and are a four-part form. The Superintendent and the Treasurer are required to sign purchase orders once they are issued. The white copy goes to the vendor. The yellow copy is kept until an invoice is received and then processed for payment and it is attached to the voucher. The pink copy is filed numerically. The goldenrod copy is put in the purchase order book and is used by the assistant treasurer to verify shipments when received.

Purchase order forms are kept by the printer, in a room that is locked when the Treasurer or assistant treasurer is not present.

The computer system flags vendors that may require a 1099 at the time the vendor is entered into the system. The computer system will generate a listing of all 1099 vendors at year-end. It will include those unincorporated service vendors who receive \$600 or more during the calendar year. The assistant treasurer

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reviews the 1099 report and prints the 1099s, which are then mailed by January 31. The assistant treasurer files all reports with the Ohio Department of Taxation and the Internal Revenue Service.

If a purchase order is voided, the purchase order is marked "void" and returned to the Treasurer's office and filed numerically.

**Auditor of State Comments:**

The School District should obtain "412" certificates signed by the Treasurer, Superintendent and Board president for all negotiated agreements, salary schedules and construction contracts.

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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 or receiving copy of the purchase order, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and 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 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.

**Statutory Requirements:** 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 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 ordinance 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 treasurer may authorize it to be paid without such affirmation of the school board if such expenditure is otherwise valid.

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

**School District’s Cash Disbursement Process:**

The Treasurer’s Office has the responsibility of verifying the receipt of goods, other than food purchases, as well as invoice quantities for items charged against open purchase orders prior to approval for payment. When goods are received, the assistant treasurer compares items received to the gold copy of the purchase order, the packing slip, and the invoice if received at that time. The Treasurer or the assistant treasurer, depending on time and workload, check the footings of invoice totals and discount calculations for accuracy. Any discrepancies in relationship to quantities shipped and billed are resolved by the Treasurer or



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assistant treasurer before approval for payment is made. The Treasurer is responsible for the approval of invoices for payment.

The assistant treasurer handles the weekly payment of the bills based on invoices approved for payment. The invoice and supporting documentation are processed through the “CKPROC” program. This program provides an “invoice report”, which is verified by the Treasurer. The Treasurer’s signature on the invoice report serves as authorization to pay.

The assistant treasurer prepares the check run for the payment of invoices. The check signer affixes the Treasurer’s signature on each check. The Treasurer maintains the key to the check signer. The check pay report is printed subsequent to the processing of checks. Once the check pay report is processed, the system automatically posts the information to the accounts in the system. Manual checks are rarely written, and only under special circumstances. Manual checks are prepared and signed by the Treasurer only. The check is attached to the purchase order and the information is manually entered into the system. At this point the expenditure program is updated as if the check were computer generated. The Treasurer is responsible for the processing, preparation and signing of all manual checks.

The District maintains three checking accounts : (1) the general account; (2) the payroll clearance account; and (3) the construction account. The Treasurer is responsible for reconciling all accounts.

The checks are three-part checks, an original and yellow and pink copies. The original is mailed to the vendor with the remittance advice, the pink copy is filed alphabetically by vendor, and the yellow copy is attached to the invoice which becomes the voucher package and is filed by check number. Blank checks are kept in a room behind the assistant treasurer that is locked when Treasurer personnel are away from the office.

The signed check and supporting documentation are reviewed by the Treasurer before the checks are mailed. Once the Treasurer is satisfied that invoices approved for payment are correct, the checks are mailed.

**Auditor of State Comments**

None

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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. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by Federal and/or State laws.

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

Section 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 State Teachers Retirement (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 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 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 indicate the procedures for paying the employees for leave balances credited to them upon separation from service.

Sections 3319 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; Section 3319.08, Revised Code, for teacher employment and reemployment 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 compensation of officials and employees of a school district.

**School District's Payroll Processing Procedures:**

The School District processes payroll on a biweekly basis for approximately 200 full and part time employees, including substitutes.

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The School District uses State software to process payroll. All checks are kept in the records room that is locked when the Treasurer or assistant treasurers are not present. The assistant treasurer maintains the only key to the check signer. If the assistant treasurer normally responsible for payroll is unavailable, the assistant treasurer responsible for budgetary operations is trained to perform payroll operations. The School District uses a zero balance checking account for payroll.

The Treasurer prepares the teachers' contracts and mails them in March or April. The contracts must be signed and returned to the Treasurer before the first payroll of the new school year. The Athens County Educational Service Center certifies all employment contracts. The Treasurer enters the contract amounts into the payroll system, which calculates the amount to be paid each pay period. A listing of all supplemental employee contracts is kept and updated each time a payment is made. At the end of the school year all supplemental employee contact payments are reviewed by the assistant treasurer and outstanding balances are paid before the end of the fiscal year.

Contract amounts for other salaried employees, such as administrators and supervisors, are also entered into the payroll system by the assistant treasurer. These contract amounts are entered after the contracts are approved by Board action. Payroll tax and retirement forms are given to new employees, completed, signed, and returned to the assistant treasurer, who then enters the information into the computer. If employees need to change their payroll tax or retirement information, they can obtain the appropriate forms from the assistant treasurer, who then enters the changes into the computer. Vacation, personal, and sick days are posted to the proper category and the balances are updated automatically.

District office employees, bus drivers, custodians, and cooks complete a time sheet for each pay period. School secretaries keep attendance and absence records for secretaries and aides. Time sheets list hours worked, days absent, and type of hours worked (regular or overtime). The supervisors review the time sheet and, if it is correct, approves it. The assistant treasurer also reviews all time sheets for accuracy. If a discrepancy is found, the assistant treasurer notifies the Treasurer that there was an error. The time sheets stay with the assistant treasurer.

The assistant treasurer verifies that all employees are coded to the proper funds, accounts, and sub-accounts. This process is completed at the beginning of the school year and reviewed monthly for accuracy. If an error is found, it is corrected immediately so that the proper account is charged.

Supplemental employees must have a Supplemental Employment form completed in order to process their payroll. Some supplemental employees are contract employees and others are hourly. Examples of supplemental employees are coaches, tutors, chaperones, and extended day employees. All supplemental contracts are approved by Board resolution. Once the Supplemental Employment form is approved by the Treasurer, it is sent to the assistant treasurer for processing. The assistant treasurer reviews the form for accuracy. The Treasurer resolves any discrepancies.

Substitute teachers must complete the bottom half of a leave verification form. All substitute teachers are contract employees. The school secretary reviews the sub-worksheets and forwards them to the assistant treasurer for processing. The assistant treasurer reviews the form for accuracy. If any discrepancies are noted, the assistant treasurer resolves them with the school secretaries.

Overtime earned is paid in the subsequent pay period for salaried employees. A supplemental employment form must be completed and the hours must be approved by the supervisor before being sent to the assistant

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treasurer for processing. The assistant treasurer reviews the form for accuracy. Any discrepancies are resolved between the Treasurer and supervisor prior to processing.

All payroll information must be received by the Friday before the actual pay date. If information is available, the assistant treasurer enters payroll changes on Thursday or Friday. On Friday, she organizes payroll information and time sheets. Payroll information is input into the payroll system on Monday afternoon. On Tuesday, she finishes entering payroll information and prints checks that afternoon. The assistant treasurer runs final payroll reports Tuesday afternoon or Wednesday morning.

The check printing process begins with a program that initializes the check printer with the starting check number and the date. Checks are printed and distributed to the employees. The check register is then printed for all checks.

The deduction report is produced in one of three options depending on the pay of the month. Option 1 for the first pay of the month, option 2 for the second pay of the month, and option 3 for the third pay of the month, if there is one. This program creates reports for all deductions, taxes, retirements, wire transfers, and federal and state taxes, which are wire transferred.

The board distribution report is created that lists the Board's share of deductions. The assistant treasurer is responsible for all reports and programs.

The system calculates the payroll and prints a check for city taxes. The State, Federal, medicare and social security taxes are paid by wire transfer. A deduction report is then printed.

The STRS report is a monthly deduction report. The STRS report prints two reports per pay. One report is for the employees' share and one is for the Board's share. The report lists the days paid for employees whose portion of STRS is picked up by the Board. The report is sorted alphabetically by employee name. The computer system loads all the information into the monthly deduction reports. After the report is printed, the report fields are cleared. This is an internal report that is used to reconcile the monthly payments with the amounts posted in the computer. An annual report is prepared by the assistant treasurer, reviewed and signed by the Treasurer, and is filed with STRS in a timely manner.

SERS is paid monthly and requires a monthly report. The report is sorted alphabetically by employee name. The monthly check is mailed to the SERS lockbox, along with a cover sheet for SERS. The data center forwards a listing of employee days worked and monies earned and deposited to SERS.

Payroll deductions for medical insurance, life insurance, STRS, SERS, employment services, retirement, and pickup reports are processed through the payroll system and completed and filed in a timely manner. The assistant treasurer is responsible for balancing and completing the reports for hospitalization, life insurance, and all other benefits. She is also responsible for the payment of these benefits when due.

Once all deduction checks are printed, the final payroll reports are run. The Auto Post program will automatically post the payroll information to all of the appropriate accounts and files within the payroll system and the accounting system. The Treasurer reviews and signs the payroll distribution report.

Accounts Payable must be closed each month before the first payroll of a new month can be posted. There can be a delay in posting payroll data due to the timing of the previous month's close-out.

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Checks are signed at the time of printing, with a check signer attached to the printer. The assistant treasurer maintains the key for the check signer. Payroll checks for employees who are currently working are divided by department and delivered to the respective buildings and offices to be distributed by the supervisors and building secretaries, who sign for the checks. Each employee in the administrative offices signs for his or her check. Payroll checks to be mailed are put in the mail on Thursday morning, to be received on Friday. Employees who work at night are given their checks Friday night, or they may pick them up Friday morning.

If an employee is absent on payday, the check will be mailed to their home, unless the employee has made arrangements with their supervisor and the assistant treasurer. If an employee needs to pick up a check early, arrangements must be made to pick the check up directly from the Treasurer's office.

If a check is lost, an immediate stop payment order is placed on it. The payroll or deduction check is voided and a new check is issued. The check is marked "void" in the check register. All information is given to the Treasurer for processing the bank reconciliation.

The assistant treasurer is responsible for keeping vacation, sick, personal, and other leave records. Other forms of leave available to employees are jury duty and bereavement leave. A report is run each pay listing the outstanding balances for all leave types. The balances can also be accessed on the computer. The assistant treasurer keeps a spreadsheet of leave time taken by all employees that is supported by the leave time sheets. The leave report is reconciled to this spreadsheet. The manually kept records are used to verify balances in the event of an error. Other forms of leave time available to employees include jury duty and bereavement leave.

An absence form is completed and submitted to the employee's supervisor, department head, or principal upon the employee's return. If an absence form is not completed, the employee will not be compensated for the time off. The absence form is approved by the employee's supervisor and forwarded to the assistant treasurer to account for time off and allow leave payments to be paid during the appropriate payroll.

Early retirement incentives and severance payments are processed through the payroll system.

Internal Revenue Service W-2 forms are processed after the last payroll for the calendar year. Calendar year reports are provided in addition to the W-2 forms, which are mailed by the end of January.

**Auditor of State Comments**

Overtime should be authorized and approved by the Superintendent, as indicated by district policy, or the Board should consider amending the policy to allow building principals or supervisors to authorize and approve overtime.

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**Debt Administration**

**Description of an Effective Method of Debt Administration**

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

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

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

**School District's Debt:** The School District's outstanding debt at March 31, 2001 is \$2,348,000 and consists of the following:

	<u>Principal Outstanding 3/31/01</u>
General Obligation Bonds:	
1985 School Facilities 9.75%	\$968,000
2000 Classroom Facilities 6.322%	435,000
Solvency Assistance Fund Advance February 2001 - 2 years 0%	<u>945,000</u>
Grand Total	<u><u>\$2,348,000</u></u>

The funds necessary for payment of principal and interest are provided by general fund transfers, property taxes, and State foundation revenues.

On October 1, 1985, the School District issued \$955,000 in voted general obligation bonds for the purpose of construction of school buildings. The bonds were issued for a 25 year period with final maturity at December 1, 2009.

On May 15, 2000, the School District issued \$968,000 in voted general obligation bonds for the purpose of constructing, acquiring, remodeling and making additions to classroom facilities. The bonds were issued for a 23 year period with a final maturity at December 1, 2022.

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Beginning fiscal year 2001, the School District was able to receive a Solvency Assistance Fund advance from the State. The Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that face a deficit caused by one or more of the nine reasons identified in Administrative Rule 3301-92-03. For fiscal year 2001, the School District received an advance of \$945,000, at zero percent interest, to be repaid over two years.

The School District's Statement M, Schedule of Debt Service Requirements to Maturity, in the Cash Basis annual financial report for the fiscal year ending June 30, 2000 failed to reflect the debt service requirements for the fiscal years 2011 through 2023, the final maturity of the classroom facilities general obligation bonds. Debt service requirements for principal and interest were properly reflected in the School District's GAAP financial statements.

**Auditor of State Comments**

The School District should verify that the debt information on Statement M in the cash basis annual financial report is correct before issuing the report.

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**Fixed Assets and Supplies Inventory**

**Description of an Effective Inventory of Fixed Assets and Supplies**

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 an asset should be properly authorized and reported to the Treasurer.

**Administrative Code Requirements:** Rule 117-2-02 (D)(4)(c) of the Ohio Administrative Code states that the School District should maintain “fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number.”

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

The School District does not have a comprehensive policy regarding fixed assets. Current policy dictates that all assets valued at \$500 or more are capitalized. The Treasurer is responsible for maintaining fixed asset information.

The District uses State software to track fixed assets. The Treasurer assigns object codes that are to be used for the purchase of fixed assets. The software automatically posts any disbursements from these object codes to the fixed asset system. The Treasurer reviews all postings and is responsible for making any adjustments, such as removing asset purchases that fall below the dollar threshold established by District policy.

The School District is undergoing a \$12.6 million renovation project on its buildings. The Treasurer anticipates performing a physical inventory at the conclusion of the project, in fiscal year 2002.

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

The Board has adopted a policy requiring that a physical inventory of supplies be taken at the building level at the close of the school year.

Prenumbered inventory sheets are distributed by the Treasurer to building principals and department heads. Principals and department heads are responsible for assigning counters, who are responsible for the physical count, and costers, who are responsible for determining unit and total value of counted items.

The Treasurer accounts for all inventory sheets, reviews sheets for accuracy, and calculates total values, which are provided to the GAAP conversion consultants.

**Auditor of State Comments**

1. The School District should develop a comprehensive fixed asset policy that includes the tracking of fixed assets using State software, as well as annual verification of fixed assets.



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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 immediately following the end of the month and processing of transactions for the new month should commence. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items include deposits in transit, unrecorded transactions (such as interest not posted), and transaction errors (school district and bank).

All reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items, should be posted in the month subsequent to occurrence and not carried forward to a second month unless waiting for the bank to correct an error, supported by appropriate correspondence.

**Statutory Requirements:** Inactive cash should be invested according to Sections 135.14 and 135.35 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 133.03, 135.01 to 135.22, 319.04, 321.46, 733.27, 3313.291 and 5705.10 of the Ohio Revised Code. Interest earned on federal grant funds is governed by United States Code 7 CFR 210.14(a).

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

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

General Account - This Community Bank account is used for the general operation of the School District.

Bond and Coupon Clearing Account - This Community Bank account is a zero balance account used for bond redemption and interest payments.

Payroll Account - This Community Bank account is a zero balance account used for biweekly payroll distribution.

The School District deposits receipts into the general account. The Treasurer reconciles all accounts at the end of the month. Deposits identified on the bank statement are compared to the receipts posted to the Financial Report by Fund to determine deposits in transit. The Treasurer enters the checks that cleared the bank into the computer, which generates outstanding check lists. The reconciled bank balance is compared to the total fund balances at the end of each month.

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The School District has adopted investment, interest allocation, petty cash, and change fund policies. The investment policy addresses authorized investments and liquidity. Currently, the School District invests in Star Ohio and certificates of deposit. Interest is posted to the General Fund, the Construction Fund and the trust funds.

Although allowed by School District policy, the District presently does not maintain any petty cash funds. Change funds are maintained by two cafeterias and the athletic department.

The athletic department change fund is established at the beginning of the football season and is deposited in the general account at the end of the season. The change fund is reestablished at the beginning of the basketball season and is deposited in the general account at the end of the season. During the football and basketball seasons, the change fund appears as a reconciling item on the Treasurer's bank reconciliation.

The high school cafeteria fund is established at the beginning of each school year and is deposited in the general account at the end of the school year. During the school year, the change fund appears as a reconciling item on the Treasurer's bank reconciliation.

The elementary school change fund was established many years ago and is not reflected on the District's records. At the end of each school year, the change fund is placed in cold storage for safe keeping.

**Auditor of State Comments**

1. All change funds should be reflected on the District's financial statements.
2. All change funds should be deposited to School District accounts at the end of each school year.

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## Financial Reporting

### Description of Effective Method of Financial Reporting

The Treasurer should provide the Board with financial information including the 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.

**Statutory Requirements:** Section 117.38, Revised Code, requires that the annual financial report be filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year and be prepared in accordance with generally accepted accounting principles (GAAP).

**Administrative Code Requirements:** 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 districts are required by Rule 117-2-03(B), Administrative Code, to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP). All school district's were required to report on a GAAP basis for all fiscal years ended June 30, 1996 and thereafter.

The report is to be certified by the Treasurer. At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer.

**The School District's Method of Financial Reporting** - The School District uses State software through Southeast Ohio Voluntary Educational Cooperative (SEOVEC) and therefore has the ability to print multiple standard and customized month-to-date and year-to-date reports. The School District prepares month-to-date and year-to-date reports, places them in binders and stores them in the Treasurer's office. Biweekly, month-to-date, year-to-date, quarterly, and annual payroll reports are kept in the assistant treasurer's files. At the Board meetings, the Treasurer supplies the Board with the Financial Summary report, the Receipts ledger, the check register, and the SM-2 reports. The Treasurer also provides a report that summarizes these reports. These same reports are provided to the Commission each month.

Following the release of the School District's annual audit report, the Treasurer supplies the Board members with copies.

The School District accounts for its daily operations using the cash basis of accounting. The School District has a computer system which can generate daily reports with information pertaining to cash activity, receipts, expenditures, and encumbrances.

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited financial statements are filed with the Auditor of State, Local

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Government Services Division within 150 days of the end of the fiscal year. The Report of Independent Auditors indicated an unqualified opinion on the fiscal year 2000 financial statements on January 9, 2001.

**Auditor of State Comments**

None

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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 Trimble 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.