



**Auditor of State  
Betty Montgomery**

**Sheffield-Sheffield Lake City School District  
Lorain County, Ohio**

**Report on Accounting Methods**

**Local Government Services Section**

**Sheffield-Sheffield Lake City School District, Lorain County  
Report on Accounting Methods**

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**CERTIFICATION**

On January 11, 2005, the Sheffield-Sheffield Lake City School District was declared to be in fiscal emergency. Section 3316.10(A), Revised Code, requires that after the declaration of the existence of a fiscal emergency, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports. This report shall indicate whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

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

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

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

April 20, 2006

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Purpose

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

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the Sheffield-Sheffield Lake City School District, and (2) whether the current accounting system is in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing School District personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Sheffield-Sheffield Lake City School District. We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the adequacy of the accounting system. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Governance Overview

Sheffield-Sheffield Lake City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District provides educational services mandated by the State and Federal agencies. The School District operates under a locally-elected five-member Board of Education (the Board).

On January 11, 2005, the School District was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. Commission membership is as follows:

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

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

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

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

The Commission has defined the level of fiscal management and control that the Commission will exercise within the School District during the period of fiscal emergency as required under Section 3316.06 (A)(2) of the Ohio Revised Code. The complete role of the Commission has been addressed in the financial recovery plan adopted on April 13, 2005, and includes the power to approve contracts entered into by the Sheffield-Sheffield Lake City School District for personal services and employment, and as a result of collective bargaining.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Governance Overview

(continued)

The Commission will continue in existence until the Auditor of State, or the Commission itself, determines that:

1. An effective financial accounting and reporting system is in the process of being implemented, and is expected to be completed within two years;
2. All of the fiscal emergency conditions have been corrected or eliminated, and no new emergency conditions have occurred;
3. The objectives of the financial recovery plan are being met; and,
4. The School District Board has prepared a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse".

Once these requirements are satisfied and certified to the Commission, the Governor, the Director of Budget and Management, and the County Budget Commission, the activities of the Commission will be terminated. Upon termination of fiscal emergency and the Commission, all responsibility for the management of the School District will revert to the locally-elected Board.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Budgetary Process

#### Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and the type of financial resources that shall be raised, and how those financial resources shall be spent. Annually, a budget consisting of estimated revenues and expenditures for each fund for the next year should be presented to the governing body with sufficient time for review and public input. The budget should identify the major sources of revenues and the programs, activities and major objects of expenditures. The budget should encompass current operations and maintenance, capital acquisition and replacement, and debt retirement. The budget, once approved by the governing body, should be the basis for the appropriation measure. The appropriation measure should identify by fund the amount of resources authorized to be expended for the various governmental functions and programs. The amount appropriated for each fund should not exceed the estimated resources available in that fund for the year. The estimated revenues and appropriations should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for expenditure.

#### Statutory Requirements

The budgetary process is prescribed in Chapter 5705, Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution.

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

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

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

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Budgetary Process

(continued)

Encumbrances: As part of formal budget control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations.

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

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

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

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

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



# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Budgetary Process

(continued)

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

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

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

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

### 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. This budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. A public hearing is held in January to obtain taxpayer comments. A notice of the public hearing is published in the local newspaper. The Board-adopted budget is filed with the Lorain County Budget Commission no later than January 20. The Treasurer prepares the tax budget and presents it to the Board of Education for adoption.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Budgetary Process

(continued)

For the last two fiscal years, the County Budget Commission has been granted, by the Ohio Department of Taxation, an extension of time beyond the statutory date of March 1 to certify tax rates to the school districts. This extension, in turn, extended the time beyond the statutory date of April 1 to May 2 for the school districts to authorize the necessary tax levies to the County Auditor. Therefore, prior to May 2, the Board of Education accepts, by resolution, the tax rates as determined by the Lorain County Budget Commission and receives the commission's official certificate of estimated resources.

Once the tax budget is submitted, the County Budget Commission compares the unencumbered beginning balance plus estimated revenues to the estimated expenditures to determine if the certificate is over-appropriated based on the School District's estimates. The School District receives a letter from the County Budget Commission if the estimated expenditures for any fund are in an over-appropriated status. The letter states that the County Budget Commission will not certify any changes in revenues or estimated expenditures until the fund is in balance for the fiscal year.

The Board authorizes the Treasurer to make transfers and adjust appropriations as part of the year-end close. After the close of the fiscal year, the Treasurer submits the unencumbered fund balances to the County Auditor. This certifies fiscal year-end unencumbered fund balances to the Lorain County Budget Commission and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances from the preceding year.

The Board of Education adopts a temporary appropriation measure, at the fund level, prior to the start of the new fiscal year. The temporary appropriations measure is limited to 25 percent of the total expenditures of the previous fiscal year. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted prior to October 1 of the fiscal year. The Treasurer submits all appropriation measures to the County Auditor. When the Treasurer submits the temporary or permanent appropriations to the County Auditor, a certificate of adequate revenues (412 certificate) is also submitted.

The Treasurer reviews estimated revenues and appropriations monthly. A request for an amended certificate is prepared if additional revenue has been received or if actual revenues will not meet the current estimate. After receiving a new amended certificate, a supplemental appropriation measure is prepared for Board approval. The Board generally does not appropriate all of the estimated resources on the amended certificate.

Each year the Treasurer prepares a five-year forecast including assumptions that is approved by the Board of Education and filed with the State Department of Education by October 31. The forecast is updated and filed again by May 31. The Treasurer keeps the five-year forecast on file in his office with the documentation that was used to prepare the forecast. The School District maintains all contracts that have been certified as required by Section 5705.412, Revised Code, in the Superintendent's office.

At the end of the fiscal year, the Treasurer reviews all outstanding purchase orders. Purchase orders with a zero balance or that will no longer be used are closed. Purchase orders that are related to a contract or an invoice that will be paid at the beginning of the new fiscal year remain open.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Budgetary Process

(continued)

The Treasurer certifies to the County Auditor the cash balance, outstanding encumbrances, advances not repaid, and carryover balance available for appropriation for each fund shortly after the close of the fiscal year. The Board approved temporary appropriations for the next fiscal year are entered into the computer system. If adjustments to the temporary appropriations are passed, they are also entered into the system. After the permanent appropriations are passed, the School District enters the difference between the final temporary appropriations and the permanent appropriations to equal the appropriations on the permanent appropriation resolution. If adjustments to the permanent appropriations are passed during the year, they are posted to the system.

### Auditor of State Comments

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

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

The initial allocation and subsequent re-allocations of Board approved appropriations is at the discretion of the Treasurer. There is no control or documentation over the allocations after the initial allocations are made. The policy manual should establish the nature of the control (general fund only or all funds, function and object or all dimension of the account code structure) and the approval process. The Treasurer is to determine the documentation that will demonstrate compliance with the Board policy and establish procedures for the request and approval of the subsequent allocations.

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

2. The Treasurer compares appropriations to estimated resources as part of a monthly review; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources each time an amended certificate is requested/approved by the County Budget Commission and each time a supplemental appropriation resolution is approved by the Board. The Treasurer should provide the Board with the comparison demonstrating the effect of adopting the supplemental appropriations and that the adoption will not cause a budgetary compliance issue.
3. The Board authorized the Treasurer to make transfers and adjust appropriations as part of the year-end closing. The legislative body of a local government may not delegate its authority to establish appropriations. The appropriations process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill that responsibility.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Budgetary Process

(continued)

4. The text in the public notice of the budget hearing was not changed from that of the previous year. The Treasurer should proofread the notice before it is sent to the newspaper to assure that current information is used.
5. The estimated receipts should be posted upon receipt of the amended certificate from the County Auditor and appropriations should be posted in the system upon receipt from the County Auditor of the certificate indicating that appropriations are within estimated resources. The amounts in the system should equal the supporting documents.
6. The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Auditor (Refer to Auditor of State bulletin 98-012).
7. During fiscal year 2005, the School District had deficit fund balances contrary to Section 5705.10, Revised Code, expenditures plus encumbrances that exceeded the Board adopted appropriations contrary to Section 5705.41(B), Revised Code, and appropriations that exceeded estimated resources contrary to Section 5705.39, Revised Code. The Board of Education, Superintendent and Treasurer should attend a workshop or schedule a workshop at the School District for the Board of Education and management that addresses Ohio budgetary law and the role each has in the budgetary process.
8. The School District has on letterhead the language to certify appropriation measures and qualifying contracts. This document is signed and attached to appropriation resolutions and contracts. It is not always clear what document the certificate was intended to be attached to and the document is not included with all copies. In order to clearly associate the certification with the appropriate document and ensure that it is included with all copies, the appropriate certification language should be incorporated as part of the original qualifying contract or appropriation resolution.
9. Section 5705.39, Revised Code, requires a certified copy of the appropriation resolution be sent to the County Auditor. The Treasurer should consult legal counsel to determine the correct method of providing a certified copy to the County Auditor.
10. The general fund advanced \$38,816 to another fund in fiscal year 2005. When the treasurer certified the ending fund balances to the County on the Certificate of the Total Amount from all Sources Available for Expenditures, and Balances, the amount was included in the advances not repaid column for the general fund but not for the fund receiving the advance. If an advance is outstanding at the end of the fiscal year, the fund that made the advance should have a positive amount in the advances not repaid column (cash is owed to that fund from another fund) and the fund that received the advance would have a negative amount in the advances not repaid column (the fund owes cash to another fund).
11. Appropriations should be passed at a more detailed level by the Board. An effective budgetary system identifies the major programs, activities and major objects of expenditures.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

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

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

##### Statutory Requirements

Section 9.38, Revised Code provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys 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.

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

##### School District's Receipt Process

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

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

Building Receipts: Monies are receipted in the various School District buildings from various sources. The building secretary issues a receipt and prepares a pay-in. Both regular and student fee pay-in orders are two part forms. A regular pay-in order is prepared by the building secretary for donations, vending machine collections, athletic events, student activities monies, and miscellaneous receipts. For the regular pay-in order, the building secretary enters the source of the money, date, building, revenue account, total amount received, and list of checks with the name, check number, and amount. A student fee pay-in order is prepared for fees for supplies, lost or damaged textbooks, kindergarten or pre-school tuition and field trips. For the student fee pay-in order, the building secretary enters the building name, date, amount by revenue type, total revenue, money by type, total money, and checks by name, check number and amount. The building secretary also circles the correct account code to credit the revenue. The building secretary must sign the regular pay-in order and if that pay-in is for student activities money, the student advisor must also sign. Any supporting documentation is stapled to the pay-in. The pay-ins, cash and checks are placed in a leather bank bag, zipped and sent daily to the Accounts Receivable person in the administration building via the inter-office courier. The Accounts Receivable person counts the cash and reviews the pay-ins for accuracy by matching the following:

1. The account code is matched to the description on the pay-in.
2. The cash or check is matched to the amount on the pay-ins
3. The list of checks on the pay-in is matched to the checks in the bag for the name, check number and amount.

If the pay-ins are correct, receipt numbers are assigned to the pay-ins, the backs of the checks are stamped with “For deposit only into the account of Sheffield-Sheffield Lake City School District”, and the receipt numbers are written on the back of the checks. If the pay-ins are not correct, the Accounts Receivable person calls the originator of the pay-in, they discuss the problem and determine a solution. The Accounts Receivable person keeps the (white) original and sends the yellow copy back to the appropriate building secretary. The Accounts Receivable person places the original pay-ins in a stack to enter into the computer system. The building secretary places the yellow copies of the pay-in orders in a monthly file in the building administration office.

The Accounts Receivable person then enters the information from the original pay-in orders into the computer system to generate a system receipt. The computer system generates a numbered receipt that must be signed by the Accounts Receivable person.

If a check is returned for non-sufficient funds, it is given to the Assistant Treasurer. The Assistant Treasurer sends the check back to the appropriate building secretary to collect the money.

Mail Receipts: Mail for the Treasurer’s office is opened by the Assistant Treasurer, who gives all checks along with the supporting documentation to the Accounts Receivable person. When a check or cash is brought directly to the Treasurer’s office, the information is entered directly into the computer system by the Accounts Receivable person and a system receipt is generated. The original receipt is kept by the School District and filed by the Accounts Receivable person with other revenue receipts and a copy is made and given to the payer. The School District receives property tax monies along with the settlement sheets through the mail. The Treasurer prepares and signs a manual receipt when he receives a settlement from the County Auditor or when he receives grant monies and writes the account codes on the supporting documentation which is attached to the receipt. These manual receipts are given to the Assistant Treasurer to enter into the computer and print a computer generated receipt.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

Wire Transfers: Revenues received by wire transfers are State foundation monies, State and local grants, and Community Alternative Funding System reimbursements from the State. After the Treasurer prepares and signs a manual receipt with the account distribution detail, the Assistant Treasurer enters the receipts into the system. The Assistant Treasurer prepares purchase orders for the deductions that appear on the State foundation statements. The remittance forms for electronic fund transfers are received either by e-mail or in the mail from the payer. The remittance forms state the exact date when the monies will be available to the School District. The School District does not receipt the money into the system until on or after the available date.

All system receipts are prepared in the Treasurer's office by the Accounts Receivable person or the Assistant Treasurer. The system receipts are numbered sequentially by the State software upon posting to the system. Once the system receipts are generated, but before the deposit slips are returned from the bank, all system receipts are filed by receipt number in the Treasurer's office.

After the deposit slips are prepared, the deposit slips and monies are placed in a plastic, pre-numbered, single-use deposit bag that is provided by the bank. The adhesive strip with the corresponding bag number is removed and the bag is sealed. The Accounts Receivable person usually prepares the bags but if she is not in, the Assistant Treasurer prepares them. When they prepare the bags, they enter the date and the total amount in the bag on the top of the bags and sign them. On the face of the bags, they enter the name of the School District, the name of the bank and branch it is going to, the date, the account number, and the total amount of cash, checks and other (usually coins and/or money orders). The adhesive strips with the bag numbers are kept by the Accounts Receivable person in her desk drawer. When the bags are ready to be taken to the bank, the bags are placed in a basket on the Accounts Receivable person's desk. The date, bag number, and signature of the person placing the bag in the basket must be entered on the FirstMerit Bank Personalized Courier Service Customer Log (customer log) which sits on the Accounts Receivable person's desk. The bank courier driver must enter the pick-up time and sign the customer log before taking the bags. The School District pays the bank to send a courier to pick up the bags. The bank courier driver is an employee of and bonded by the bank. The Accounts Receivable person, before the courier leaves, verifies that there is a courier signature next to each bag number listed on the customer log or at least an arrow from the courier's signature to the last bag number that is being picked up.

All monies received are deposited in the bank using a two part deposit slip. The (white) original is kept by the bank and the yellow copy is returned to the School District. The bank usually puts the yellow copy in the mail the same day the deposit is made and the School District receives it within one or two days. When the deposit slips come back from the bank, they are reviewed for differences or corrections by comparing them to the receipts in the numeric receipt file. The yellow deposit slips are not compared to the customer log. At this time, the deposit slips are referenced with the receipt numbers. The yellow copy of the deposit slips are placed with the monthly bank statements in the Assistant Treasurer's office until they are reviewed by the Treasurer. The Treasurer compares the yellow copies of the deposit slips to the bank statements to verify that all deposits are on the bank statements. This review is not documented. After the receipts have been reviewed by the Treasurer, they are filed by vendor (before the deposit slips are returned from the bank, the receipts are filed by receipt number; but, after the deposit slips are returned from the bank, the receipts are filed by vendor). If there is a difference between the receipt and the deposit slip, the Accounts Receivable person calls the bank and between them, they determine where the error occurred.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

Receipt of State Foundation: State foundation monies are received by wire transfer bi-monthly into the School District's STAROhio account from the Ohio Department of Education. The foundation statements are accessed and printed from the Ohio Department of Education's web page by the Assistant Treasurer who then accesses the online banking and verifies what has been received to what the foundation statement states should have been received. Generally, foundation statements include restricted and unrestricted receipts, tuition payments from other districts, and various State payments to the School District. The Treasurer prepares the manual receipt with the distribution of accounts and amounts and gives it to the Assistant Treasurer. The Assistant Treasurer then posts the revenue to the system at gross. After preparing a purchase order for the deductions, memo expenditures are posted for the STRS, SERS, tuition, and other miscellaneous item deductions from the foundation statement. State foundation monies received are posted using the USAS codes provided on the foundation statement. The foundation statement and system receipts are reviewed by the Treasurer for accurate dollar amounts and account codes.

Receipt of Property Taxes: Upon receipt of the check and tax settlement sheet from the Lorain County Auditor, the Treasurer prepares the manual receipt with the distribution of accounts and amounts and gives it to the Assistant Treasurer. The Assistant Treasurer prepares purchase order for the deductions on the settlement sheet and then posts the gross amount of the settlement and the deductions to the system. All property tax monies are received by check and deposited into the School District's general checking account. The settlement sheets and system receipts are reviewed by the Treasurer to ensure the amounts and account codes are correct.

Receipt of Grant Monies: The School District receives Federal, State, and local revenue in the form of restricted and unrestricted grants. The School District receives federal and state grant monies by wire transfer from the Ohio Department of Education. The Board authorizes the applications for all grants. For most grants, the Treasurer completes an electronic cash request monthly until the yearly allotment is received. For the lunch/ala carte program, the Food Service supervisor files a Site Claim Form (CN-7 report) which identifies reimbursable amounts due to the School District. Upon receipt of the wire transfer e-mail notification, the Treasurer prepares the manual receipt with the distribution of accounts and amounts and gives it to the Assistant Treasurer. The Assistant Treasurer posts the transaction to the system and generates a system receipt. When monies are received by check, the Assistant Treasurer posts the transaction to the computer system, prints a receipt, and prepares the deposit slip. The system receipts are reviewed by the Treasurer for accuracy of amounts and account codes.

Athletic Event Receipts: At the beginning of the school year, the Assistant Treasurer prepares a check made out to the Athletic Director for \$100 to be used as a change fund. The Athletic Director keeps the money in a locked cash box in his locked desk in his office which is also kept locked. The change fund money is returned to the Assistant Treasurer before the end of the school year.



## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The Athletic Director records the beginning ticket numbers and the amount of gate change given to the ticket sellers before the event on a Game Financial Statement. After the event, the ending ticket number, difference between the beginning and ending number (to obtain the number of tickets sold), the price of each type of ticket, and the total tickets sold multiplied by the price per ticket are recorded. Then the Athletic Director counts the money collected and subtracts the gate change to determine the total deposit. Next, the Athletic Director compares the total deposit to the total price of the tickets sold to determine if there is a variance. If a variance exists, the procedure is repeated to determine if there is an error in the calculation. If there is no error in the calculation, it is determined which ticket seller made the error. If the error is under five dollars, the Athletic Director writes a note to accompany the Game Financial Statement stating that an immaterial error was made by one of the ticket sellers and the amount of the error. But, if the error is over five dollars, the ticket seller responsible for the error must make up the difference.

The Athletic Director prepares a regular pay-in order with the date, event, revenue account number, and deposit amount. The pay-in order and monies are usually taken to the Treasurer's office within twenty-four hours of the event. If the Assistant Treasurer or Treasurer is working on Saturday morning, they will prepare the deposit slip and take the money from Friday night or Saturday morning sporting events to the bank. Otherwise, the Athletic Director locks the money in his office in the locked cash box in his desk until Monday morning. The Accounts Receivable person enters the pay-in order information into the computer system along with the other regular pay-in orders and generates receipts. The Athletic Director receives the yellow copy of the pay-in order and places it in a file by event date in his file cabinet. The system receipts are reviewed by the Treasurer for accuracy of amounts and account codes.

Student Activity Receipts: Purpose, goal statements and budgets are prepared throughout the school year as needed by the student activity advisors and approved by the Principal and Superintendent for most student activities. If the activity is known at the time the permanent appropriations are prepared, it is included. If it is not, it is included in the supplemental appropriations. The purpose and goals statements and budgets are presented by the Treasurer to the Board for approval. The Board approves the operation of the student activities for the school year and the individual activity budget. The approved purpose and goal statements and budgets are kept on file in the Treasurer's office. The purpose and goals statements include the purpose of the organization and organizational goals and objectives for the school year. The budget contains the anticipated receipts and expenditures of the student activity for the school year. Upon completion of a single activity such as a fund raiser, collection of dues, or collection of fees for supplies or trips, the advisor prepares a regular pay-in order for all revenues received and gives it to the building secretary. All student activities monies must be given to the Treasurer's office by the end of the year. The student advisor receives the yellow copy of the pay-in order for their records.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

Monthly, the student activity advisors receive a Financial Detail Report from the Assistant Treasurer which lists the receipts and disbursements number credited to each account, the amount of each receipt or disbursement, and a running balance. The advisors check their yellow copies of their pay-in orders, green and goldenrod copies of their purchase orders, and beginning of the year balances against the monthly Financial Detail Reports from the Assistant Treasurer. If the amounts do not match, the student advisor and Assistant Treasurer go through each receipt, expenditure, and the beginning balance to determine where the error occurred and correct it. The student advisor must reconcile the student activity account with the Treasurer before the end of the school year. The student advisor uses the reconciled ending balance from the prior school year as the beginning balance amount for the current school year, reconciles the receipts and expenditures monthly with the Assistant Treasurer using the Financial Detail Reports eliminating the need for advisors to keep a separate book balance.

The Assistant Treasurer prints an Account Status Report for each student advisor at the end of the school year. The Account Status Report lists the detail for each account that the student activity uses along with a summary that includes the beginning balance, year-to-date receipts, year-to-date expenditures, and ending balance. The Account Status Report is kept with the student activity records to demonstrate that the student advisor met the purposes and goals in the purpose and goal statement and stayed with the budget that was presented to the Board.

Prior to the start of a fund raiser, the student advisor requests approval from the building principal to carry out a fund raiser. If the building principal approves the fund raiser, he notifies the Superintendent by e-mail. If the Superintendent approves the fund raiser, he notifies the Board at the next meeting that this particular student activity wishes to conduct a fund raiser and when they will conduct it. All fund raisers must be approved by the Board. Upon completion of the fund raisers, all advisors remit monies and regular pay-in orders to the appropriate building secretary. The building secretary counts the money and compares the total to the amount on the regular pay-in order. If the total money and pay-in order match, the building secretary sends the pay-in order to the Treasurer's office with the other pay-in orders received that day. If the total money and pay-in order do not match, the building secretary gives the money and pay-in order back to the student activity advisor or teacher and they must find the error.

Receipt of Cafeteria Monies: All students must pay the full price in cash for their lunches except those that receive free or reduced-rate lunches. The building secretaries prepare a package for the first day of school for all students in the full-day kindergarten class, all first graders, and any students new to the School District in the higher grades. The package contains information about the School District, the particular building in which they attend school, the community, the Letter to Households, and the free and reduced-rate school meals application. In order for students to receive free or reduced school meals on the second day of school, the parents must read and sign the Letter to Households and the student must return it the next day. The Letter to Households informs the parents of the current lunch prices, how to apply for free or reduced price lunches, and answers commonly asked questions such as:

1. Who can receive free or reduced-price lunches?
2. Will the information on my application be checked?
3. What if I stop getting food stamps?
4. What happens if my household size or income changes?
5. If I don't qualify now may I qualify later?
6. What if I disagree with the School District's decision about my application?

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The free and reduced-rate school lunches application requires information about the student, foster children, and household income.

Before school starts, many parents come to the school building or administration building to pre-register their children for free or reduced-rate lunches. If the parents pre-registered their children, they do not have to complete the application form in the package because it is the same form. The forms are changed every year.

Many students receiving free or reduced-rate lunches get direct certification through the Ohio Department of Education. The Ohio Department of Education receives a list from the Ohio Department of Jobs and Family Services of all children whose parents are on welfare. The Ohio Department of Education sorts the list by the State assigned school district number. A diskette listing the children living in the School District that have been certified for free or reduced-rate lunches is sent to the School District. The list contains the child's social security number and name, address, parents' social security numbers and names, and status granted (free or reduced-rate). The parents of the children on the list do not have to complete the free or reduced-rate school lunch application or return the Letter to Households. The pre-registered students are added and the list is sorted by building. The sorted list is given to the Operations Supervisor to give to the head cashiers in each building and the chief cook at the high school when they come back to work to prepare the cafeterias for the first day of school. The sorted list is also e-mailed to the building secretaries.

On the first day of school every student must have money to pay for lunch or be pre-certified. Students whose parents return the Letter to Households and the free and reduced-rate school lunches application on the second day of school do not have to pay or pay the full price for lunch. The homeroom teachers collect the letters and applications and take them to the building secretary. The building secretaries update their lists, add them to the daily count under the appropriate category (free or reduced-rate lunch), and send the completed Letters to Households and applications to the Federal Programs Coordinator who retains the Letters to Households. If a student was on the list the prior year, their names are automatically added the next year; however, they must have returned the Letters to Households within thirty days to continue receiving free or reduced-rate lunches. All students must have returned the Letters to Households and applications or be certified by the end of thirty school days in order to receive free or reduced-rate lunches during the school year.

The School District has only one kitchen which is at the high school. Lunches are prepared in this kitchen and transported to the other buildings. The School District collects money for food sales from one high school, one middle school, and four elementary schools. Prior to the beginning of the school year, the cost of the meals and ala carte items are authorized by the Board and posted on the School District's web site and in the buildings.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The School District uses cash drawers in all cafeterias. The Assistant Treasurer delivers the cash to the cashiers on the first day of school and she picks up the cash on the last day of school and returns to the Treasurer's office. In the Treasurer's office the Assistant Treasurer completes a deposit slip, places the deposit slip and monies in a pre-numbered, single use deposit bag, removes the adhesive strip, seals the bag, places the bag in the basket, and completes the customer log. At lunch time, the students line up to pick up their lunch trays, ala carte items, juice, and/or milk. The cashier takes the cash drawer, paper, pencil, and Daily Lunch Log and sits at the head of the line. The students pick up a tray and give their money to the cashiers. The cashiers gives the students change (if required) from the cash drawers and place a checkmark on the Daily Lunch Log. The Daily Lunch Log has a page for the \$2.15 lunch, pages for the free lunches by grade, pages for the reduced-rate lunches, and at the middle school and high school a page for the ala carte items. The days of the month are listed across the top and the rows are numbered down the side. The names of the students are printed down the side of the pages for the free and reduced-rate lunches. The cashier makes a checkmark under the appropriate lunch for each student under the current day of the month.

If a student cannot pay for lunch, they can charge it. The cashier marks the student's name on a piece of paper and puts it in the bottom of the cash drawer. After lunch, the student names in the bottom of the drawer are sorted and each student's name is paper clipped to prior charges that are kept in a file in the school cafeteria cashiers office. After a student has charged four lunches or three weeks before the end of the school year no matter how many lunches have been charged, the student's family is billed for lunches that have been charged but not paid. The cafeteria cashier notifies the Food Service Supervisor by e-mail and the Food Service

Supervisor puts the information in her daily e-mail to the Operations Supervisor. The Operations Supervisor notifies the building secretary by e-mail to send a letter to the student's parents or guardian. The building secretaries also send a letter to all families that students cannot charge lunches during the last two weeks of the school year.

After lunch, the cashiers reconcile the cash and the Daily Lunch Log. They count the money in the drawer and subtract the change fund monies to obtain the amount paid for all lunches or ala carte items. They count the number of checkmarks for each type of lunch on that day and multiply the number of checkmarks by the cost of the lunch. For example, if the Daily Lunch Log shows 47 checkmarks for the \$2.15 lunches, the total cost of the 47 lunches would be \$101.05. If the cash in the drawer minus the change fund monies that the cashier started with is \$101.05, the cash and the Daily Lunch Log are reconciled. If they do not reconcile, the cashier must try to find the error or make up the difference.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The elementary schools complete a Daily Lunch Record with the date, building, currency, coins received and the number of juice, student trays, and adult trays sold. The Middle School cashiers and Brookside High School chief cook put the number of an item sold (student lunches, adult lunches, free lunches, milk, or reduced lunches) and the cash received for that item on an adding machine tape for their school building. The cashiers for the elementary schools and the Middle School send a copy of the Daily Lunch Record along with the currency and coins in leather bank bags to the chief cook at Brookside High School by means of the School District courier. The chief cook at Brookside High School checks the currency and coins against the Daily Lunch Record for each school and then her assistant checks them. After the cash is reconciled to the Daily Lunch Reports for all schools and checked twice, the chief cook prepares a Daily Cash Recap with the date, name of the school, amount of currency and coins for each school, and the total cash. The chief cook prepares a regular pay-in order and deposit slip for the total cash and walks them across the driveway to the Treasurer's office and hands them to the Accounts Receivable person. The Accounts Receivable person verifies that money, pay-in order, and deposit slip are for the same amount. The Accounts Receivable person hands the chief cook a plastic, pre-numbered, single-use deposit bag into which she places the money and deposit slip. The adhesive strip with the corresponding bag number is removed and the bag is sealed. The chief cook enters the date and contents on the top of the bags and signs it. The adhesive strip with the bag number is kept by the Accounts Receivable person in her desk drawer. The bag is placed in a basket on the Accounts Receivable person's desk. And the chief cook enters the date, bag number, and signature on the FirstMerit Bank Personalized Courier Service Customer Log (customer log). The Accounts Receivable person posts the information on the pay-in order into the computer system and prints a receipt. All food service deposits are posted to one account initially. After the Assistant Treasurer reconciles for the month with the Operations Supervisor, a negative receipt is posted and then the correct distribution is posted.

The Operations Supervisor prepares a monthly summary that lists the receipts by day, school building and type. At the end of the month the Operations Supervisor reconciles with the Assistant Treasurer so all of the School District's food service records reconcile with the bank and the CN-7 report that is prepared for the Ohio Department of Education. Monthly, the Operations Supervisor prepares the CN-7 report and files it on line with the Ohio Department of Education for reimbursement. The CN-7 report identifies reimbursable amounts due to the School District. The CN-7 report is filed on line. The Operations Supervisor receives a message back from the Ohio Department of Education that the filing was accepted. The tapes, monthly logs, daily lunch records, daily cash summaries, deposit slips, and monthly summary are filed in the Operations Supervisor's office. At the end of the school year, the information is moved to the basement for storage.

Miscellaneous Receipts: Money for fees, overdue book fines, and damaged equipment is brought to the building secretary. Each classroom teacher keeps a separate record for each fee (such as field trips, workbooks, or art supplies) that lists the students' names and whether they have or have not paid. The teacher takes the collections to the building secretary along with a copy of the supporting documentation. The building secretary gives the teacher a receipt for the money.

The librarian collects fines for overdue or damaged books and records the student's name, amount received and overdue or damaged book. The librarian takes the collections to the building secretary along with a copy of the supporting documentation. The building secretary gives the teacher a receipt for the money.

If a student purposely damages school property or equipment, the student pays the building secretary and receives a receipt.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Revenue Activity

(continued)

The building secretary prepares a student fee pay-in and staples the supporting documentation to the back of the pay-in order. The student fee pay-in, cash and checks are placed in a leather bank bag, zipped and sent daily to the Accounts Receivable person in the Administration Building via the inter-office courier. The Accounts Receivable person counts the cash and checks and reviews the pay-in for accuracy. If the pay-in is correct, a receipt number is assigned to the pay-in. The original (white) pay-in is kept by the Accounts Receivable person and the yellow copy is sent back to the building secretary. The Accounts Receivable person places the original pay-in in a stack to enter into the computer system. A two part deposit slip is prepared, the money checks and deposit slip are placed in a plastic, pre-numbered, single-use deposit bag, and the bag is placed in the basket on the Accounts Receivable person's desk to be deposited with the other daily deposits.

An invoice is prepared near the end of the school year for fees, fines and charges for damages that are outstanding and the invoice is sent to the student's parents. The student's final grades will be withheld until payment is made. The Treasurer's office prepares and mails the invoices. Copies of the invoices are maintained online in the USAS/ARF State Software program. The Treasurer's office also prepares invoices for the use of school facilities and other items. The Treasurer reviews the outstanding invoices on a monthly basis. When payments are received, the Administrative Assistant to the Treasurer posts the transaction to the system, prints a system receipt, prepares the deposit slip and takes the deposit to the bank.

#### Auditor of State Comments

1. The School District does not have written procedures for the receipt of money. The Treasurer should document the procedures to be followed for the receipt and deposit of money and that are necessary to demonstrate compliance with Board policies.
2. Pay-ins are a form generally used by the Treasurer's office for the receipt of money and posting of receipts to the accounting system. Receipts are generally a document used to substantiate the receipt of money. The various School District buildings use pay-ins instead of receipts. Manual receipts should be used at various buildings. Pay-ins should be only utilized by the Treasurer's office to document the receipt of money from the departments and to post receipts into the system. The School District needs to eliminate "Pay-in Order" from the top right of the forms. The forms should be pre-numbered and controlled.
3. The computer system generated receipts are not signed by the Accounts Receivable person. By signing the receipts, the Accounts Receivable person is stating that the information on the receipt has been verified against the documentation. Also, if the receipt is given to a payor, it should be signed by the Accounts Receivable person as proof of receipt of cash.
4. The School District should use a three part deposit slip. The third part should be kept by the School District. If the bank loses the yellow copy that is mailed back to the School District or if the yellow copies are lost in the mail the School District does not have a deposit slip showing what made up that deposit.
5. The adhesive strips with the bag numbers printed on them should be reconciled to the customer log at the end of each day by comparing the numbers on the adhesive strips to the numbers on the customer log to insure that each bag taken has been accounted for.

Sheffield-Sheffield Lake City School District – Lorain County

**Financial Accounting Report**

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**Revenue Activity**

(continued)

6. The student activity purpose, goals statement and budget should be completed with all required signatures and dated.
7. A policy should be implemented by the Board to ensure that discrepancies found while performing reconciliations (for example, ticket sales or lunch sales) would be dealt with in a consistent manner.
8. The building secretaries place the pay-ins, supporting documentation, cash and checks in leather bank bags, zip the bags and send them daily to the Accounts Receivable person in the Administration Building via the inter-office courier. Although the inter-office courier is bonded, the bags should still be locked and the Treasurer's office should have the only other key or keys to the bags. The key or keys should be locked in a secure place in the Treasurer's office after the close of business for the day.
9. The bag numbers should be recorded on the deposit slips.
10. If a student activity conducts a fund raising event by selling products, the pay-in from the sale should be compared to the product that was received less the product returned.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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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 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 stating that the amount has been appropriated and is free from previously encumbered obligations. Purchase orders should be used for all non-payroll transactions, and should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

#### Statutory Requirements

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

Certification of the Fiscal Officer: Each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the portion of the obligation to be performed in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate need be signed only by the subdivision's fiscal officer. Additionally, the subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond fiscal year end in an amount established by the board of education. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring items or for unanticipated emergencies.

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

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

Then and Now Certification: It is intended that the treasurer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. Payments greater than \$3,000 are to be approved by resolution of the Board of Education.



# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Purchasing Process

(continued)

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

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

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

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

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

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

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

Findings for Recovery Database: Effective January 1, 2004, Ohio Law (ORC section 9.24) prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor, if that finding is unresolved.

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

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Purchasing Process

(continued)

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

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

#### School District's Purchasing Process

When major contracts exist, the Treasurer prepares and signs a 412 Certificate which certifies that the School District has sufficient revenue to support those contracts. Currently, the School District has 412 Certificates for their employee union contracts. The School District does not have any other major contracts that qualify for this certification.

When goods or services are required, an employee must choose the lowest and best vendor. The School District uses the Lorain County Co-operative for most routine purchases because they have the lowest prices. An employee checks the vendor list if the purchase is for services or items that cannot be purchased through the Lorain County Co-operative and calls the vendors to determine the lowest and best price. The employee then completes a manual purchase order with the vendor name, address, quantity, description, unit price, and total cost, as well as any required shipping information. All District employees may prepare purchase orders and submit them to their building principals or supervisors except employees that work at Knollwood Elementary School who must prepare requisitions instead. The purchase order forms are not pre-numbered. The completed purchase order is given to the immediate supervisor for approval and assignment of account codes. Once the supervisor approves the purchase order, it is sent to the Assistant Treasurer. Since the purchase orders are prepared manually, the Assistant Treasurer must assign the next purchase order number on the system to the manual purchase order and then enter the information from the manual purchase order into the system. A purchase order is not generated by the computer system.

For regular purchase orders, the School District only uses manual purchase orders. After the Assistant Treasurer enters the purchase orders into the system, an open purchase order report is generated and she checks the information on the report against the manual purchase orders.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Purchasing Process

(continued)

Currently, requisitions are only used at Knollwood Elementary School. Building employees obtain the requisition form on-line. The requisition form requires the same information as the manual purchase order. Employees enter the information into the computer system and print the requisition. The employee may print two copies of the requisition or make a copy of the original on the copier. The employee keeps the copy and gives the original to the building principal. The building principal's signature is required on all requisitions.

After signing the requisition, the building principal makes a copy and retains it for his files. The Assistant Treasurer assigns a purchase order number to the requisition and prints a purchase order.

The purchase order generated by the system is different from the manual purchase order only by the required requisition number. The only purchase orders generated by the computer system are those that originated from a requisition. All other purchase orders are manual.

For large projects or contracts, the Superintendent is given authorization by the Board to bid within a specific range. The operations Supervisor and the Superintendent determine the specifications, arrange for bid packages, advertise for bids, arrange for bid openings, and review the bids. The Superintendent then presents his recommendations to the Board. The Board makes the final determination and authorizes the contract by passing a resolution. Upon review of the minutes, the Assistant Treasurer prepares a manual purchase order and assigns a purchase order number. All expenditures greater than \$7,500 must be authorized by a Board resolution and signed by the Superintendent. Also, they must appear in the Board minutes.

The School District uses regular purchase orders, blanket certificates, super blanket certificates and then and now certificates. All regular purchase orders, blanket certificates, super blanket certificates and then and now certificates are signed by the Treasurer. The Board has not established by resolution a maximum amount for blanket certificates or super blanket certificates.

The manual and system generated purchase orders are both five-part forms and are distributed in the following manner:

1. The white (original) copy of the purchase order is faxed and/or mailed to the vendor.
2. The yellow copy is kept by the Assistant Treasurer in the open purchase order file in her desk which is organized by vendor.
3. The pink copy is kept by the Assistant Treasurer in the open purchase order file in her desk which is organized by purchase order number.
4. The green and goldenrod copies are returned to the person who originated the purchase order.

If multiple payments are made from one purchase order, the amounts are written on the face of the purchase order in the open purchase order file. The original purchase order amount less these payments should be the amount on the open purchase order report. On a monthly basis, open purchase orders are reviewed by the Assistant Treasurer to determine if they can be closed or not. Any unnecessary purchase orders are cancelled along with the corresponding encumbrances.

Super blanket certificates are used for utilities, lease payments, and large, regular, routine purchases.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Purchasing Process

(continued)

When invoices are received for which there is no purchase order, the Treasurer will determine if the amount had been included in the appropriations and was in the treasury or in the process of collection at the time of the expenditure. If this is determined to be correct, the Treasurer will authorize the Assistant Treasurer to prepare a then-and-now certificate and then the Treasurer will sign it. If the Treasurer determines that the amount had not been included in the appropriations or was not in the treasury or in the process of collection at the time of the expenditure and is greater than \$1,000 the information is presented to the Board. The \$1,000 limit is the Treasurer's rule and not Board policy.

The Board may authorize the Treasurer to pay the invoice or require the employee to pay the invoice. The Board's decision is based on the employee's history. If the employee has made multiple purchases without obtaining a purchase order, the Board may decide that the employee has had sufficient warning and require the employee to pay for the goods or services. If it is the first time the employee has made a purchase without obtaining a purchase order prior to the purchase and the amount is not material, the Board usually gives the employee a warning.

For mileage reimbursement, an employee prepares a mileage expense report and gives it to the Assistant Treasurer. A pink purchase order or "pinkie" is prepared, signed by the Treasurer, and placed in the to-be-paid file. A pink purchase order is a single page form with the Treasurer's certification, account distribution, amounts, purchase order number, date, description of goods or services, and name of the issuer. A pink purchase order is used when there is no outside vendor and the School District's tax exempt number is not required. Payments are to School District employees for such things as mileage reimbursement.

#### Auditor of State Comments

1. The School District should update the Board Policies for purchasing to address the role of the Treasurer and Superintendent, the use of purchase orders, the statutory certifications by the treasurer, the use of quotes from vendors, the dollar limits for blanket certificates (required by statute), and the consequences for failure to obtain the Treasurer's certification.
2. The Assistant Treasurer should indicate by initialing or signing, any review of unpaid purchase orders and her inquiry with vendors, buildings or departments. Without this verification, it cannot be determined if a review has actually taken place.
3. If mileage reimbursements are regular and frequent, the School District should prepare blanket certificates for mileage reimbursements. Blanket certificates are for specific appropriation accounts but not for specific vendors. If mileage reimbursements are irregular and infrequent, it is acceptable to use a then and now certificate.
4. The Assistant Treasurer does not verify that vendors have no outstanding, unpaid findings for recovery issued by the Auditor of State. The verification consists of performing a search on the Auditor of State's web site for unresolved findings for recovery. The search results should be printed, reviewed and signed by the Treasurer and attached to the purchase order. If the vendor appears in the unresolved findings for recovery database, the purchase order should not be issued.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Purchasing Process

(continued)

5. Currently, only employees in one building in the School District are preparing and generating requisitions on the system. The School District should use the software feature that allows purchase requisitions to be entered and approved on-line and use the same information to generate purchase orders. This will eliminate the duplication of effort in the process.
6. The Assistant Treasurer prepares purchase orders, assigns numbers to purchase orders, enters them into the system, pays the invoices, and reconciles to the bank. Another employee in the Treasurer's office should assume some of these duties so there is a clear segregation of duties.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Cash Disbursements

##### Description of an Effective Method for Accounts Payable and Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the School District. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and accounts codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data) and a properly executed certification by the Treasurer. All checks should be promptly signed by the Treasurer, posted in the appropriate accounting records, and mailed to the vendor. Vouchers should be filed numerically or by vendor. No invoices for payments should be processed that were not properly certified unless the Treasurer is able to execute a then and now certificate. Sufficient safeguards should be in place to ensure that one individual does not have total control over the receipt of goods, processing of invoices for payment, issuance of checks and the reconciliation of bank accounts.

##### Statutory Requirements

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

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

No Certification - If no certificate of available funds was furnished as required, upon receipt by the Board of a certificate of the treasurer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Board may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than three thousand dollars, the Treasurer may authorize it to be paid without such affirmation of the Board if such expenditure is otherwise valid.

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

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Cash Disbursements

(continued)

#### Administrative Code Requirements

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

#### School District’s Cash Disbursement Process

The Treasurer’s office has the responsibility to ensure that goods and services are received prior to payment. When the goods or services have been received, the employee at the building who receives the shipment of goods verifies the contents to the packing slip, if available, indicates whether the order is complete, signs and dates the green copy of the purchase order, retains the goldenrod copy, and sends the green copy along with the packing slip or receipt to the Assistant Treasurer. If a packing slip is not available, the goods are verified against the purchase order.

If the order is complete, the Assistant Treasurer attaches the green copy to the yellow copy. The yellow copy and supporting documentation are then placed in a pending-receipt-of-invoice file in the Assistant Treasurer’s office. If no purchase order exists, the employee responsible for the order is notified and requested to process a requisition (if the employee works in Knollwood Elementary School) or purchase order. If the requisition or purchase order is received by the Assistant Treasurer prior to receipt of the invoice and the Treasurer signs the purchase order, then it is treated like any other purchase order. If the invoice is received before the requisition or purchase order, the Treasurer will determine if the amount had been included in the appropriations and was in the treasury or in the process of collection at the time of the expenditure or the amount is under \$1,000. If this is determined to be correct, the Treasurer will authorize the Assistant Treasurer to prepare a then-and-now certificate and then the Treasurer will sign it. If the Treasurer determines that the amount had not been included in the appropriations or was not in the treasury or in the process of collection at the time of the expenditure or the amount is equal to or greater than \$1,000, the information is presented to the Board. The Board may authorize the Treasurer to pay the invoice or have the employee pay.

All invoices are mailed to the Treasurer’s office. The Assistant Treasurer opens all invoices and matches them to the purchase order and packing slip. The items, quantities, and unit price on the purchase order are compared to the invoice. If an invoice is wrong, the Assistant Treasurer investigates why there is a difference and resolves the discrepancies. The invoice, requisition, and yellow copy of the purchase order are stapled together and placed in a file for payment. If the order is not complete, payment is held until the order is completed to the satisfaction of the School District. If the purchase order is partially complete and an invoice is received for the partial shipment, a check is issued for the appropriate, partial amount and a copy of the purchase order is placed in the voucher package. The receipt of a partial shipment is noted on the yellow copy of the purchase order and it is placed in the open purchase order file until the remaining items are received. If the invoice amount exceeds the purchase order by an insignificant amount, the invoice is paid in full and the existing purchase order is marked complete.

The Assistant Treasurer reviews the blanket certificates with each payment made to determine whether a new blanket purchase order is necessary. If a new one is deemed necessary, the old blanket certificate is closed and a new one issued.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Cash Disbursements

(continued)

Some vendors, such as the safety town instructor, require prepayment. An Issue a Check Form is required along with the purchase order and copy of the service contract before the check will be issued. The form requires the building or location where the work is performed, date the check is needed, if the check is to be mailed or picked up, payee name, amount, services to be rendered, and signature of principal or supervisor requesting the payment.

Bills are paid once a week, more often if necessary, based on the invoice due date or upon review and determination by the Treasurer that sufficient cash is available in the funds. To process bills for payment, in the system, the Assistant Treasurer flags the purchase orders in the accounting system to be processed for payment and enters the appropriate invoice date. The checks are then printed and the Treasurer's electronic signature is added. The Treasurer's signature is the only one on the check.

After the checks are printed, the Assistant Treasurer verifies the amounts against the invoice to ensure that they match. The Assistant Treasurer is the only person, besides the Treasurer, with a password to print requisitions, purchase orders and checks with the electronic signature. The Assistant Treasurer and payroll person are the only School District employees, besides the Treasurer, with the password to print checks with the electronic signature. All blank and voided checks are kept in a locked storage area in the Treasurer's office. The three part pre-numbered checks are separated and the original is mailed with the remittance documents to the vendor. The pink copy, which serves as the voucher, is attached to the supporting documents and filed by check number. The yellow copy is filed alphabetically. Both files are maintained in the Treasurer's office area. The Treasurer runs a Check Register Report on a monthly basis to scan the report for unusual vendors or large payments that he does not recall from when he signed the checks.

The Treasurer receives blanket approval from the Board at the organizational meeting to pay obligations as they come due.

If a check is voided, the check is marked void across the front. The voided checks are filed in numerical order with the cancelled checks.

#### Auditor of State Comments

1. The School District should have the procedures for cash disbursements documented, including the staff positions and their functions. The document should also include procedures for invoices that exceed the purchase order/fiscal officer certification of funds and the use of then-and-now certifications. A copy of these procedures should be kept on file in the Treasurers' office.
2. All checks over a set dollar amount should be approved by the Treasurer after they are electronically signed and before they are mailed. The voucher should also be checked for proper documentation and authorization.
3. The Treasurer receives blanket approval from the Board at the organizational meeting to pay obligations as they come due. The Board cannot grant such approval at the organizational meeting. The Board should comply with Section 3313.18, Revised Code, in granting such authority.
4. All "Issue a Check Forms" should be completed with all the required information and signed by the building principal or supervisor, Superintendent and Treasurer.



## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

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

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current contracts, information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

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

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

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

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

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

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

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

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

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

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

#### School District's Payroll Processing Procedures

The School District's pay period begins on Monday and ends on Sunday, fourteen days later for certified employees. They are paid on Friday, twelve days after the pay period ending date. Payroll is processed on a bi-weekly basis for 212 full and part-time certified employees. All supplemental and extra pays for employees, including longevity and bonuses, are included in their bi-weekly pay. Certified employees' annual contract amounts are divided by 26 bi-weekly pay periods in the fiscal year to obtain the gross bi-weekly pay.

Classified employees are paid semi-monthly and are paid on the first and fifteenth day of every month. The School District has 129 full and part-time classified employees. For employees paid semi-monthly, their contract amount is divided by 24 to obtain the gross semi-monthly pay. If the pay date falls on a Saturday, checks are issued on the first regular business day prior to that Saturday. If the pay date falls on any holiday except Christmas, the check will be issued on the next regular business day. The paycheck for December 25 will be issued on the previous business day.

Payroll prepares the bi-weekly and semi-monthly pay schedules for the school year. Employees receive an earnings statement with each pay that indicates gross and net earnings, withholdings (year-to-date and for the pay period) and leave usage during the pay period and leave balances as of the end of the pay period.

All employment applications are received and kept on file by the Superintendent's Secretary. Recommendations for employment are made to the Board of Education by the Superintendent and are recorded in the minutes. Once employed, copies of all records, with the exception of the license and transcripts, are kept in individual employee files in the Personnel office. The license and transcripts are kept in the Superintendent's office. Employees must sign two copies of their contracts. The original signed contract is kept in the Superintendent's office and the signed copy is kept in the Treasurer's office by the Payroll clerk.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Administrators: Administrative contracts are prepared by the Superintendent and Treasurer based upon contract provisions approved by the Board of Education. These contracts establish the annual rate of pay, total days the administrator agrees to work each year, job duties, vacation accrual rate, annual vacation, sick leave accrual and retirement contributions. The contracts also state that the administrator shall receive insurance and reimbursement for travel as authorized by Board policy. The contracts are reviewed and approved by the Board of Education. Contracts for the Superintendent and Principals typically run from August 1 through July 31 of the subsequent year. Contracts for the Bus Supervisor and the Operations Supervisor run from July 1 through June 30 of the subsequent year. The Treasurer's contract runs from January 1 through December 31.

Administrative contracts are paid over twenty-six pays. The original signed contract is kept in the Superintendent's office and the signed copy is kept in the Treasurer's office by the Payroll clerk.

Board Members: Quarterly, the Superintendent's Secretary prepares a list from the Board minutes of the Board members attending meetings during that quarter and their pay per meeting and gives it to the Payroll Clerk. Three of the board members are paid at a rate of \$125 per meeting, and the remaining two board members are paid \$80 per meeting. The Board members are paid with the next semi-monthly payroll.

Certified Employees: The teachers' salaries and benefits are governed by a negotiated agreement between the Sheffield-Sheffield Lake City School District Board of Education and the Sheffield-Sheffield Lake Teachers Association OEA/NEA. The present contract covers the period of January 1, 2005 through February 28, 2006. The contract establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the contract identifies the annual amount of personal leave to be credited and sick leave accrual amount for certified employees. Certified employees do not earn vacation.

New contracts are prepared for certified teaching staff by the Superintendent's Secretary. Prior to reappointment, the Superintendent reviews the annual evaluations and personnel files of teachers and employees to be reappointed to determine if they should be offered a contract for the next year. He also reviews the applications and background checks of potentially new employees to determine if they should be offered a contract. The Superintendent then dictates to his Secretary a list of names for reappointment and hire. He adds the list to the Board meeting agenda. The list includes the name, education level, step level, and annual salary from the Teacher Salary Schedule in the negotiated agreement. Renewal contracts are usually approved by the Board in a March or April Board meeting. For new employees, the Board grants one-year, two-year, or three year limited contract. Supplemental, tutor, and substitute contracts are approved throughout the year. For each name on the list, the Board determines if the person is to be hired or rehired; and, if they are hired or rehired, the type of contract to grant that person. The Superintendent's Secretary prepares all the contracts and salary notifications after the Board meeting.

Contracts and salary notifications are mailed in April and are both three-part forms. They are signed by the employee, Board President, and Treasurer. The employee signs the original and first copy, keeps the second copy, and returns the original and first copy to the School District. They must be returned to the School District prior to the end of the school year. The Superintendent's office retains the originals and the Treasurer's office retains a signed copy. The contract sets forth the date employment is effective, annual rate of pay, additional compensation that will be provided, and period covered by the contract. The contracts become effective September 1 and run through June 30 of the subsequent year. The salary notifications notify employees of the amount of their salary for the school year and summarize the basis for computing that amount.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Once the contracts have been signed and returned, the Payroll Clerk enters the annual salary amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays. The Treasurer's copies of the contracts are kept in a binder in the Treasurer's office. The amount to be paid is adjusted during the year when a certified employee's degree status changes or the employee takes leave but has none accrued.

Longevity is awarded after 21 years of teaching (all of the 21 years do not have to occur in Sheffield-Sheffield Lake City School District) in the amount of \$500. This amount is paid annually. Longevity is paid the second pay in September for the prior year service or upon termination.

Supplemental contracts are processed throughout the year. For continuing employees, supplemental contracts are issued at the same time regular certified contracts are issued. If a regular employee is filling a supplemental position for the first time, they receive the contract after it is approved by the Board of Education to fill that position. All supplemental contracts are paid over twenty-six pays, unless the contract is entered into after the commencement of the regular employee's contract, in which case it will be paid over the remaining number of pays in the school year. Any supplemental contracts granted to someone other than a regular employee are paid bi-weekly.

Substitute teachers are approved for employment by the School District on an as needed basis by the Board. Substitute teachers are never re-approved because once they have been approved, their information is never removed from the payroll files. Substitute teachers are paid \$100 per day and are paid with the bi-weekly payroll. After a teacher notifies the building principal that a substitute will be needed, the building principal notifies the receptionist by e-mail of the name of the teacher that will be absent and the name and phone number of substitutes to call. The receptionist is responsible for calling all substitutes.

The substitute teacher must complete a Substitute Teacher Report by the end of the pay period and give it to the building principal to sign. The building principal keeps a copy and gives the original form to the Payroll Clerk at the end of the pay period. The Substitute Teacher Report includes the name and social security number of the substitute, teacher substituted, dates worked, and principal's signature for approval.

Tutors are approved for employment by the School District on an as needed basis by the Board. Tutors are paid \$19.07 per hour and are paid with the bi-weekly payroll. Tutors prepare a Tutor Reimbursement Report which requires the name of the tutor, activity tutored, dates and hours worked, name and grade of student tutored, and subjects covered. This report is given to the Personnel Department Supervisor by the end of the pay period. The Personnel Department Supervisor prepares a Tutor Payroll Composite Report for the pay period, has it signed by the Superintendent, and gives a copy to the Payroll Clerk. The Tutor Payroll Composite Report includes the name, hours worked, hourly rate, and total amount to be paid for each tutor who worked during the pay period.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Classified Employees: The classified employees' salaries and benefits are governed by a contract negotiated between the Sheffield-Sheffield Lake City School District Board of Education and the Sheffield-Sheffield Lake Classified Employees Association OEA/NEA Local. The present contract was originally approved for the time period from July 1, 2005 through June 30, 2006. The contract sets the classification, minimum days in a work year and minimum hours per day for all classified positions. The contract sets forth the sick leave accrual amount, and the amount of vacation and personal leave to be credited annually. In addition, the contract defines overtime for each position and the rate of compensation for overtime. Employees are considered full-time if they work at least thirty hours per week.

New contracts are prepared for classified staff by the Superintendent's Secretary. All classified employees are given a one-year contract. These contracts establish the hourly rate of pay for each employee, assignment, number of days in a year to be worked, number of paid holidays, placement step, and number of hours per day to be worked. The contracts are reviewed and approved by the Board of Education. Contracts for classified staff typically run for twelve months from July 1 to June 30 of the subsequent year and are paid over twenty-four pays. Salary notifications are mailed in April and are a three-part form. They are signed by the employee, Board President, and Treasurer. The employee signs the original and first copy, keeps the second copy, and returns the original and first copy to the School District. The salary notifications must be returned to the School District before the end of the school year. The Superintendent's office retains the original and the Treasurer's office retains the signed copy.

All classified employees are paid at an hourly rate except administrators who are paid at an annual rate. Classified employees include the cafeteria workers, educational and library aids, custodians, transportation staff and secretaries. These rates are based upon amounts set forth in the negotiated agreements. After the Board approves the contracts, the Superintendent gives the contracts to his Secretary so that she can prepare a list of classified employee and their annual salary. To determine the annual salary, she multiplies the number of days in the year to be worked by the number of hours in a day to be worked by the employee's times the rate per hour. After she prepares the list, she gives a copy to the Payroll Clerk. The Payroll Clerk enters the annual salary amount in the payroll system and the payroll system divides it by twenty-four for twenty-four equal semi-monthly payments. Classified employees are paid the same amount each pay period unless they have taken leave for which they do not have an accrued amount or they have worked overtime.

Overtime is paid in the pay period in which it is earned. Only hourly employees earn overtime. The employee must complete an Extra Time, Overtime or Assumed Duty Payroll Report Sheet before working the overtime and it must be approved by the employee's supervisor prior to being worked. The employee's supervisor keeps the Extra Time, Overtime or Assumed Duty Payroll Report Sheets until the end of the pay period when they are given to the Payroll Clerk.

Sheffield-Sheffield Lake City School District – Lorain County

Financial Accounting Report

Payroll Processing

(continued)

Other Employees: The Superintendent recommends and the Board approves hiring substitutes. Substitutes are paid as follows:

Rate	Position
\$6.75/hour	Cafeteria aides
11.00/hour	Bus drivers
7.00/hour	Secretaries
7.50/hour	Maintenance
7.50/hour	Administrative clerical
100/day	teachers

The administration building receptionist is responsible for calling all classified substitutes except for maintenance and cafeteria positions. The Operations Supervisor calls the maintenance substitutes and the Chief Cook at the high school calls the cafeteria and kitchen substitutes.

Leave: Employees must complete a Request for Leave form (any leave except sick leave) before taking the leave. This is a four part form comprised of a white original and goldenrod, yellow, and pink copies. The forms are obtained from the Payroll Clerk or from the building secretaries or employee supervisors. The form includes the employees name, position, date submitted, type of leave requesting, if the absence will be half a day or full day, date(s) of the absence, and if a substitute is needed. The form is signed by the employee who keeps the white original and submits the copy to his/her supervisor or building principal. After signing the form the supervisor or building principal keeps the goldenrod copy and sends the form to the Superintendent. If the Superintendent approves the leave, he marks the approved box and signs and dates the form. The Superintendent’s Secretary files the yellow copy, e-mails the building principal or supervisor that the leave has been approved, and delivers the pink copy to the Payroll Clerk. The Payroll Clerk files the pink copy in the file for the payroll that will be affected. The building principal or supervisor notifies the employee that the leave has been approved.

If the Superintendent disapproves the form, he keeps the yellow copy and sends the pink copy back to the building principal or supervisor. The building principal gives the pink copy to the building secretary to file in the employees file and notifies the employee that the leave has been disapproved.

The employee must prepare Affidavit Supporting Vacation/Personal/Accrued/Comp-time Absences (affidavit) before taking the leave and give it to the building principal or supervisor. The affidavit identifies the type of leave, date(s) of leave and hours per day. The employee must sign the affidavit and the building principal or supervisor approves it.

Vacation: Vacation is granted to 240 and 205 day classified employees. Any classified employee working 240 days is granted vacation as follows:

Service	Vacation
Under 1 year	No vacation
After 1 year	2 weeks
After 6 years	3 weeks
After 11 years	4 weeks
After 16 years	5 weeks

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

### Payroll Processing

(continued)

All vacation requests and approvals for 240 day classified employees must be completed by July 1, unless other arrangements between the employee and the Superintendent are mutually agreed upon. Any classified employee working 205 days or more but less than 238 days will receive five days paid vacation after ten years of service. All vacation requests and approvals for 205 day classified employees must be completed by November 1, unless other arrangements between the employee and the Superintendent are mutually agreed upon. Classified employees can only take vacation in increments of one quarter (1/4) day or more.

Nine month employees have eight paid holidays, ten month employees have ten paid holidays, and twelve month employees have twelve holidays.

Personal Leave: Three personal leave days per school year are granted to all classified employees who work a full contractual year. The personal days are non-accumulative and are only applicable to the school year (July 1 through June 30). New employees and employees working in a second position are granted personal leave according to the following:

If hired between July 1 and October 31	3 days
If hired between November 1 and January 31	2 days
If hired between February 1 and March 31	1 day
If hired between April 1 and June 30	0 days

Certified teachers are granted three days personal leave. Personal leave days are non-accumulative. Written notification of intent to use personal leave must be submitted through the teacher's building principal to the Superintendent three days prior to the beginning of the leave. If an emergency arises, the three day notice requirement may be waived and in the event of extenuating circumstances, the Superintendent may grant additional personal leave days.

Sick Leave: Sick leave is accumulated at the rate of one and one fourth (1-1/4) days per month for a total of fifteen days annually. All classified employees are granted hours of sick leave credit equivalent to five regularly scheduled workdays with the effective date of their contracts. The accumulation of sick leave is unlimited. If employees that do not use sick leave for any school year period, they are compensated one additional day's pay at their current per diem rate. Use of sick leave is deducted on an hourly basis in increments of two or more hours unless the employee works less than two hours per day. For employees that work less than two hours per day, they have the equivalent of one days' work schedule in hours deducted.

Accumulated but unused sick leave hours are reflected on the employee's second pay each month. An employee, for each 130 days or the equivalent hours of unused sick leave, as of the start of the school year, is granted one additional day of bonus personal leave during that school year with pay. This leave may be taken without restriction but it cannot be carried forward from one year to the next.

Each certified employee is entitled to fifteen days of sick leave for each year under contract. These days are earned at a rate of one and one fourth (1-1/4) days per month and shall be cumulative. Five sick leave days are advanced to each teacher annually at the beginning of the school year. As the school year progresses and the teachers earn sick leave, the amount earned replaces an equal amount advanced until the whole advance is repaid. Sick leave is advanced so that if a teacher with no accumulated sick leave is sick at the beginning of the year his/her accumulated sick balance will not be negative. Sick leave must be taken in half day or more units.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

If employees are going to take sick leave, they must prepare either a Certified Employee Sick Leave Affidavit or Non-Certified Employee Sick Leave Affidavit. The affidavits should be prepared before the leave is taken, if possible. However, if that is not possible, the affidavit must be prepared upon their return to work. There are separate affidavits for certified and classified employees. The certified affidavit requires the employee's building, date(s) and number of days absent, and type of sick leave (personal illness, illness or injury to immediate family, death in immediate family). The employee must sign the affidavit and the building principal or supervisor approves it. The affidavit is kept by the building secretary or supervisor in a file in pay period order.

When employees are sick, they must notify the administration building receptionist. The administration building receptionist arranges for a substitute, if necessary, and prepares a list of absentees which is e-mailed to the building principals and their secretaries, administrators, the Superintendent, supervisors, and the Payroll Clerk. Some time before the end of the pay period, the substitute must prepare a Substitute Teacher Report (for certified employees) or Hourly Payroll Report (for classified employees). The report requires the substitutes name, social security number, person they substituted for, and dates they worked. The substitute reports must be signed by the building principal or supervisor.

Certified teachers participate in a sick leave pool. Current, actively employed teachers whose accumulated sick and personal leave has been exhausted due to a catastrophic accident or illness may apply for additional sick leave days. Participation in the pool is limited to current teachers only. To qualify, the teacher must:

1. Exhaust all available paid leave.
2. Exhaustion of regular leaves must have been due to absence resulting from the teacher's catastrophic accident or illness.
3. Provide to the Board, if requested, documentation from the provider of health services a statement of a real threat of life and/or terminal illness for which the teacher is absent from work.
4. Provide the Superintendent a signed waiver granting access to all pertinent medical records.

A recipient is limited to receiving 20 days of additional leave per contractual year and the recipient must donate the number of days received back into the pool after returning to work and earning five days of accumulated sick leave. The donor must have a minimum of 30 accumulated sick leave days before being allowed to contribute and cannot contribute more than five days per school year.

A donor must have a minimum of 30 days accumulated sick leave days before contributing and a donor cannot contribute more than five sick leave days per school year.

A teacher, for each 125 days of accumulated but unused sick leave as of the start of the school year, is granted one additional day of bonus leave during that school year with pay. This bonus leave, called accrued leave, may be taken without restriction and cannot be carried forward from one year to the next.

Withholdings: Payroll tax and retirement forms are given to new employees to be completed, signed, and returned to the Payroll Clerk, who enters the information into the computer. If employees need to change their payroll tax, retirement, or annuity information, they can obtain the appropriate forms from the Payroll Clerk, who then enters the changes into the payroll system. Withholding and various deduction forms are maintained in the Treasurer's office area.



## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Access to the payroll system is password protected. The Treasurer has given authority to the Lake Erie Educational Computer Association (LEECA), the School District's A-site, to grant access and supply a password. The Treasurer, Assistant Treasurer and the Payroll Clerk are the only ones with access, all of which have full access. However, with every payroll, a payroll audit report is generated which details all changes that were made in the payroll system during that time.

Payroll deductions for STRS and SERS are processed through the payroll system. Employee contributions are paid monthly. The Board's share of retirement is deducted semimonthly from the School District's State Foundation. The Assistant Treasurer posts a memo check for the Board's share and the Payroll Clerk prepares checks for the employee contributions. The monthly checks are mailed along with cover sheets detailing the payment information. The data center electronically forwards a listing of employees, the days they worked, and their earnings to each retirement system.

Monthly reports are generated that identify the amounts of the contributions paid. The reports are used to reconcile the monthly payments with amounts deducted from employees. Annual reports are prepared by the Payroll Clerk for each retirement system and the yearly amounts paid are reviewed by the Treasurer for accuracy and then signed. The annual reports are then filed in a timely manner.

Other Employee Benefits: The School District offers medical, prescription, vision and dental insurance to all full time employees. The School District has contracted with the Lake Erie Regional Employee Protection Plan (LEEP) to provide medical, surgical and dental benefits for its employees and their covered dependents. LEEP is a program administered by the Lake Erie Regional Council of Governments (LERC). The LEEP is a claims sharing pool comprised of fourteen school districts that provide public education within Lorain County. The school districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan provides a medical, surgical and dental plan with a \$300 deductible for family coverage and a \$150 deductible for single coverage. This plan contains a stop-loss provision of \$165,000, per participant, per year, for medical claims only.

Premium contributions are determined annually based on the claims experience of the individual school district. Premiums can be increased or decreased by up to twenty percent of the prior year's contribution.

Member districts may become liable for additional contributions to fund the liability of the pool. Upon termination, the terminating school district would be liable for any unpaid portion of those additional contributions.

The LEEP Board of Directors has authority to return monies to an exiting school district subsequent to the settlement of all claims and expenses.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

Payroll Preparation: All payroll information must be received by the Monday following the end of the pay period. Each school building, the bus garage, and the departments under the operations supervisor must prepare a recap sheet which summarizes the leave taken and extra duty or overtime worked for each employee. The days in the pay period are across the top and the names of the employees are down the side of the recap sheets forming a series of squares. The building principal or supervisor marks the hours and type of leave an employee took on a specific date. If the School District was required to hire a substitute for a teacher, the substitutes name is inserted next to that teacher's name under the day he/she worked. For all leave and extra duty or overtime worked that appears on the recap sheet, corresponding leave forms must be submitted as supporting documentation.

The building secretaries or supervisors use the Affidavit Supporting Vacation/Personal/Accrued/Comp-time Absences, sick leave affidavits, extra duty or overtime pay reports, and substitute reports to prepare the payroll recap sheets at the end of the pay period. Payroll recap sheets contain the name of the school or department, payroll period, pay date, name of each employee in the school or department taking leave, type(s) of leave taken during the pay period, and name of person substituting for each School District employee in the school or department. The original affidavits, extra duty or overtime pay reports, and substitute reports and payroll recap sheets are sent to the Payroll Clerk before the pay period and copies are kept by the building secretaries and supervisors.

The School District uses one form for extra duty or overtime pay. The top portion of the form is the teacher extra duty/extra pay report and the bottom of the form is the extra time, overtime or assumed duty payroll report sheet. The top portion of the form requires the employee's name, school, time worked in minutes, signature, date, name of absent staff member, and assignment. The form must be signed by the building principal or supervisor. The top of the form is also used for Saturday school, District committee meetings, or technology training but these require Board approval and must also be signed by the Assistant Superintendent. In the space marked "for office use only", the Assistant Superintendent enters the number of the applicable Board resolution. The original form is kept by the building secretary or supervisor and a copy is given to the employee. If the Assistant Superintendent's signature is required, the Assistant Superintendent signs the form, keeps the original, and sends a copy back to the building principal or supervisor. The bottom of the form requires the employee's name, social security number, activity worked, date and time worked, number of hours worked at additional hours at regular rate, additional hours worked at time and a half, additional hours worked at double time, hours worked at an assumed duty position, or number of hours not worked at the employee's contract job. The form must be signed by the employee and the employee's supervisor. Extra duty or overtime pay must be pre-approved.

After receiving all of the payroll recap sheets and supporting documentation, the Payroll Clerk checks the leave forms against the Request for Leave forms, the extra duty or overtime pay forms against the daily absence e-mails, and makes sure there is a leave form for each absence on the payroll recap sheet. Next, the Payroll Clerk prepares the check spreadsheet which summarizes the payroll information by major categories. The extra duty or overtime pay forms, per pay total for contract employees and severance payments are added for a total dollar amount for the semi-monthly check spreadsheet. The bi-weekly check spreadsheet includes the same items plus the substitute reports as well as the tutor payroll composite report and the Title I tutor information (both of which come from the human resources department). The check spreadsheet is totaled and that total must equal the gross pay generated by the system. The payroll is initialized, data is entered, and the processing program is run. The payroll pre-close reports are run and the total payroll is checked against the check spreadsheet. If the totals match, the payroll and deduction checks are printed.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Payroll Processing

(continued)

The Payroll Clerk reviews the agendas for the Board meetings for retirements and resignations. A severance payment worksheet for eligible retiring or resigning employees is prepared. After the Board approves the retirement or resignation, the severance payment is included in the next pay.

Direct deposits are submitted electronically to the bank by 12:00 p.m. on Wednesday of the pay week. Money is transferred from the primary checking account into the payroll account.

Most of the School District's employees are paid through direct deposit. Those employees with direct deposit receive e-mail notification regarding their pay. The rest of the regular employees receive their payroll checks and payroll summary sheets through interoffice mail sent to the building secretaries who distribute them in the employees' mailboxes. During the summer, all paychecks and payroll summary sheets are mailed.

The gross payroll automatically posts to the appropriation/expense ledger when posted to the payroll ledger. The Payroll Clerk reviews the payroll distribution sheet to determine if the amounts paid are reasonable and then signs it.

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.

If a check is lost, the employee must wait twelve days before the Treasurer's office will issue a stop payment. At that time, the payroll check is voided and a new check is issued. The check is marked as a "void" in the check register. This information is used for processing the bank reconciliation. The Payroll Clerk prepares the payroll checking account bank reconciliation.

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

All checks are kept in a locked storage room in the Treasurer's office area. Access to the storage room is limited to employees in the Treasurer's office and the storage room, as well as the Treasurer's office area, are locked when the administration building is closed. The Treasurer's office possesses the only key to the electronic check signer.

At the end of the month, the payroll person reconciles the payroll clearing account.

Sheffield-Sheffield Lake City School District – Lorain County

Financial Accounting Report

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**Payroll Processing**

(continued)

**Auditor of State Comments**

1. The procedures manual should include the payroll process. The procedures should address the duties, processes, segregation of duties involving the payroll process, and include lost check procedures.
2. The Treasurer currently does not review and sign off on the Pay Amount Summary Report. The Treasurer should be reviewing this report for obvious errors, reasonableness, ghost employees and unusual deductions. The Treasurer should sign the report after reviewing it.
3. The same person should not process payroll and reconcile the payroll checking account.
4. The Substitute Teacher Report and the extra duty or overtime pay form requires social security numbers. The display of social security numbers on the form leaves the numbers susceptible to theft. The School District should find another way of distinguishing substitutes or identify the employee.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

### Debt Administration

#### Description of an Effective Method of Debt Administration

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

#### Statutory Requirements

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

#### School District's Debt

The amount of the School District's outstanding debt at June 30, 2005 was \$1,493,430 and consists of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2005</u>
<u>Advance:</u>		
2005 Solvency Assistance Advance	0.00%	<u>\$722,443</u>
<u>Notes:</u>		
1998 Energy Conservation Improvement Notes	5.15%	213,000
1999 Energy Conservation Improvement Notes	4.85%	93,000
2000 Tax Anticipation Note	5.80%	<u>460,000</u>
Total Notes		<u>766,000</u>
<u>Capital Leases:</u>		
U.S. Bancorp Copier		3,400
Dollar Leasing Copiers		<u>1,587</u>
Total Capital Leases		<u>4,987</u>
Total Debt		<u><u>\$1,493,430</u></u>

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

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Debt Administration

(continued)

Energy conservation notes were issued July 17, 1998 for \$597,000 and June 11, 1999 for \$198,414 to replace old windows with more energy-efficient windows. The debt is paid from the debt service fund. The School District transfers monies from the general fund to the debt service fund for payment of principal and interest on the notes. Beginning in fiscal year 2006, the School District will pay the principal and interest on the notes from the general fund.

On December 28, 2000, the School District issued notes in the amount of \$2,300,000 in anticipation of the collection of tax revenues from the levy approved in March 2000, which started collection in 2001. The note resolution was certified to the Lorain County Auditor. The notes were issued due to cash flow problems. The notes will be retired with a portion of the proceeds from the emergency levy.

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

All capital leases are for copiers and principal and interest are paid from the general fund.

### Auditor of State Comments

1. The debt schedule in the 4502 (Statement M) does not reflect the correct balance. The sum of the amount outstanding at the end of the fiscal year on the other debt schedules should equal the total principal outstanding on Statement M.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

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

Capital assets of the School District should be adequately safeguarded against loss or theft. The School District should have a policy that defines capital assets, capitalization thresholds, useful lives, method of depreciation, assets assigned to the program it is used in, tracking of capital and non-capital assets, and determination of salvage value. An inventory should be maintained including a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, the annual depreciation amount, fund and account purchased from, tag number and whether the item is leased. Verification of the listed assets should be performed periodically. The disposal of an asset should be properly authorized and reported to the Treasurer so that any proceeds from the disposal can be properly recorded, the asset can be removed from the capital asset listing, and insurance coverage can be discontinued.

Consumable materials and supplies lose their original shape or appearance with use. Examples include office supplies, gasoline, cafeteria supplies and food, and donated commodities. A physical inventory of materials and supplies should be performed periodically to insure that items purchased are on hand or have been used. In addition, a physical inventory of all material items should be conducted for reporting in the School District's financial statements.

#### Statutory Requirements

Section 117-2-02 (D)(4)(c) of the Ohio Administrative Code requires that the school district maintain capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number.

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

The School District uses software provided by the Lake Erie Educational Computer Association (LEECA) to account for capital assets which allows for multiple standard and customized month and year-to-date reports. The reports provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principals, determine adequate insurance coverage and provide control and accountability over the assets. The School District had a complete update of capital assets completed by Valuation Engineers, Inc. in 2004. The School District plans to have an appraisal firm perform a complete inventory of all School District owned capital assets every five or six years in the future.

Equipment is inventoried by building, floor and room name or number. Movable equipment is inventoried by building, floor and room name. Any item that has a model number or serial number has that number noted in the description for full identification. All items assigned to a building are the building administrator's responsibility. All equipment purchased with a cost of \$1,000 (capitalization threshold) or more and with an estimated useful life of five years or more is tagged upon receipt and made part of the equipment inventory. Leased equipment that the School District will eventually own is also inventoried. Buildings and the additions to buildings are identified by location or name and are described in detail (e.g. size, number of floors, square footage, type of construction, etc.) with the value shown for all individual structures.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Capital Assets and Supplies Inventory

(continued)

Audio-visual and computer equipment is inventoried by the technology technician with a sublisting by location. Each component is identified with an inventory tag. An accurate official record of textbooks is kept by the Curriculum Director; a record of computer software is kept by the technology technician; and a record of library books is kept by the building librarians.

Any employee during the year who transfers a capital asset must complete an Inventory Changes in Location form and return the completed form to the Treasurer's Office. If an employee forgets to complete an Inventory Changes in Location form during the year, they must complete it before the end of the school year. The Accounts Receivable person enters the information into the system and files the Inventory Changes in Location form in the inventory file. Capital asset transfer information is entered into the system any time during the year and also at year end.

Any employee who disposes of any capital asset removes the inventory tag, attaches it to the Inventory Disposal Sheet, enters the appropriate information, and returns the completed form to the Treasurer's Office. The sheets are given to the technology technician who recommends that the asset be deleted or kept for spare parts. The sheets are then returned to the Treasurer's office. The Accounts Receivable person in the Treasurer's office enters the information in the system and files the Inventory Disposal Sheet in the inventory file. Copies of the sheets are made and when several have been accumulated, they are presented to the Board for approval.

All capital asset expenditures, when purchased, are coded by the Assistant Treasurer with an object code of 600 or 700. These expenditures are flagged by the system and the Assistant Treasurer inputs the additional capital asset data. In March each fiscal year, the Accounts Receivable person generates a report of all capital assets by room or location. The reports contain all assets purchased during the current fiscal year up to the point when they are printed. The reports are sent to the person responsible for that room or location (classroom reports are sent to the teachers, cleaning supply room reports are sent to the building janitor, administrative office reports are sent to the building principals or secretaries, bus garage reports are sent to the bus supervisor, and kitchen and cafeteria reports are sent to the operations supervisor). Upon receipt of the report, the person responsible for the room or location must locate the inventory tag number affixed to each item and verify that the corresponding item is on the report by placing a checkmark beside it. If an item is not on the sheet, the person verifying the items must write in the tag number and other related information. If there are items on the report but not in the room or location, the person verifying the items must attach a note concerning the status of the item to the report (for example, the item has not been in the room all year or the item was given to the high school science teacher, or deleted). The reports must be signed and dated by the responsible person and returned to the Treasurer's office at least one week before the end of the fiscal year. During the review of the reports, items that are missing from one report may be found on another report. The person responsible for the room or location is called to verify how and when they received the items and then a transfer form is completed.

Assets purchased after the worksheets are printed in March are either added by the teacher (or other employee responsible for the room) since they may retain the worksheet until the end of the school year or by the Assistant Treasurer when she prepares the purchase order or pays the invoice. If the Assistant Treasurer finds assets that should be added to the inventory, she copies the information and gives it to the Accounts Receivable person to enter into the system.



## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Capital Assets and Supplies Inventory

(continued)

Every few years, the School District has an auction of deleted items. An employee in the Treasurer's office prepares a list of the items to be auctioned. The Bus Supervisor conducts the auction. The name, address, and phone number of the buyer along with the amount received is recorded on the list. The Bus Supervisor returns the list and money to the Treasurer's office the next business day after the auction.

The Accounts Receivable person enters all inventory information into the computer system and prints the summary reports.

#### School District's Method of Accounting for Supplies Inventory

In May each fiscal year, the Accounts Receivable person in the Treasurer's office sends a Consumable Inventory form to the building secretaries, Bus Supervisor and Operations Supervisor. The building secretaries copy the form and give a copy to the teachers, librarian and nurse working in their building. They enter the description, count, cost per unit and total. The forms must be returned to the Treasurer's office before the end of the fiscal year. Only material items are inventoried. After receiving all of the forms, the Accounts Receivable person prepares a summary of consumable inventory.

The chief cook at the high school and the cafeteria supervisors in the other buildings complete the Consumable Inventory forms and return them to the Operations Supervisor.

Before the Assistant Treasurer enters purchase orders into the system, she reviews the purchases and amounts used to determine if they are reasonable.

#### Auditor of State Comments

1. The School District should adopt a capital assets policy. The policy should address such things as valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students), establishing capitalization thresholds, and determining the estimated useful life of an asset.
2. The School District should adopt consumable inventory procedures. The procedures should include a review process to insure that the value assigned to each item is reasonable.
3. Capital asset deletions should be authorized by the Board before the items are disposed of and are entered into the computer system.
4. Instead of performing a complete inventory every five or six years, a School District representative who does not work in the building or location being inventoried should, at least annually, check that items on the inventory physically exist. This would eliminate the cost of having an outside firm conduct a full inventory and enable the School District to detect lost or stolen assets more timely. The School District should maintain their own inventory.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Cash Management and Investing

#### Description of an Effective Method of Cash Management

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

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

#### Statutory Requirements

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

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

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

Section 135.14(O)(3), Revised Code, states, “Divisions (O)(1) and (2) of this section do not apply to a treasurer or governing board of a subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the treasurer or governing board certifies, on a form prescribed by the auditor of state, that the treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

Section 135.22, Revised Code, requires the treasurer to attend annual training programs of continuing education for treasurers provided by the treasurer of State.

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

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Cash Management and Investing

(continued)

#### Federal Requirements

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

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

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

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

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

#### Bank and Account Description

First Merit Bank, N.A.	This general checking account is used for the general operations of the School District.
First Merit Bank, N.A.	This account is used for distribution of funds for the payroll of the School District.
STAROhio	This is used as an investment account of the School District.
First Merit Bank, N.A.	This savings account is an interest bearing account of the School District.

The STAROhio account receives wire transfers for the Sheffield-Sheffield Lake City School District. The First Merit Bank, N.A. checking account receives daily deposits from the School District. Transfers are made, when necessary, from the STAROhio account into the First Merit Bank, N.A. general checking account. Checks are written against this account for the daily operation of the School District.

The Treasurer's office reconciles the bank accounts each month. The Assistant Treasurer reconciles the checking account and the Payroll Supervisor reconciles the payroll account. Any discrepancies are noted on the monthly cash reconciliations. The cancelled checks are placed in a box in numeric order for storage. Any discrepancies are noted on the bank statement and the monthly receipt report are corrected and posted upon completion of the reconciliation process.

The current depository agreement for First Merit Bank, N.A. ends December 31, 2006.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Cash Management and Investing

(continued)

The Sheffield-Sheffield Lake City School Board of Education authorizes the Treasurer to make investments with available monies from the funds of the School District in securities authorized by State Law. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law. The only investments the School District holds are in STAROhio account and the First Merit Bank, N.A. money market account. The funds that receive the interest are the following:

001	General Fund
006	Food Service
401-9004	Auxiliary Services – Non-Public

The Treasurer's office maintains a petty cash fund. The Board authorizes establishment of cash funds in the care of custodians as stated in the Petty Cash policy. In order to replenish petty cash funds, each custodian prepares a reconciliation which includes the total cash plus the disbursement slips. If cash and the disbursement slips do not equal the petty cash fund total that was received at the beginning of the fiscal year, the custodian must make up the difference.

### Auditor of State Comments

1. The investment policy should be signed and dated by the Treasurer or Board of Education and all entities conducting investment business with the Treasurer or Board of Education. The investment policy should be filed with the Auditor of State's office.
2. The petty cash policy should be updated to address accountability of the money, allowable expenditures, and assignment of a custodian. An annual resolution should set the number of petty cash accounts and the amount in each. All petty cash accounts should be reconciled and returned to the Treasurer's office at the end of the fiscal year.
3. The person who prepares the payroll performs the payroll bank account reconciliation and the person who prepares the receivables and payables performs the general account bank reconciliation. There should be a separation of these duties so the same person does not perform all duties related to a process or compensating controls should be added such as having the Treasurer review the bank account reconciliations.
4. The Treasurer should review amounts and sign all reconciliations.
5. The signature certification for the StarOhio account at Provident Bank should be updated with the name of the current Treasurer.
6. The School District does not have a security agreement that meets the FIRREA requirements.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

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

#### Statutory Requirements

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

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

#### Administrative Code Requirements

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

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

The School District uses software provided by the Lake Erie Educational Computer Association (LEECA) which allows for multiple standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports, places them in binders and stores them in file cabinets in the Treasurer's office. Throughout the year, various payroll reports are kept on file in the Treasurer's office. The 4502, the cash basis annual financial report, is completed by the Treasurer, printed, and sent to the Independent Public Accountant to use in preparing the annual financial report in accordance with GAAP. After the GAAP report has been filed with the Auditor of State's office, the Treasurer publishes a notice in the local newspaper that the report is available for inspection. The 4502 is usually completed during the month of July and is submitted to the Department of Education electronically through LEECA.

# Sheffield-Sheffield Lake City School District – Lorain County

## Financial Accounting Report

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### **Financial Reporting**

(continued)

The Treasurer's office provides Board members with a monthly bank reconciliation, monthly SM-2 Annual Spending Plan (Current Operation – General Fund Only – O.R.C. 5705.391) report, Financial Summary report and Financial Report by Fund/SCC. The SM-2 Annual Spending Plan includes the monthly estimate, monthly actual, monthly difference between the monthly estimate and actual, fiscal year estimate, fiscal year actual and difference between the fiscal year estimate and actual for all revenues, expenditures, beginning balance, ending balance and outstanding encumbrances for the general fund.

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

### **Auditor of State Comments**

1. The Policy Manual should be updated to include the duties of the Treasurer for preparing and filing GAAP basis financial statements within 150 days after the fiscal year end.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Recording Official Proceedings

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

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

##### Statutory Requirements

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

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

Section 121.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. The Ohio Supreme Court has held that the minutes must be "full and accurate," which means that they must contain sufficient facts and information to permit the public to understand and appreciate the rationale behind the relevant decision. The public not only has a right to know a government body's final decision on a matter, but also the means by which those decisions were reached. The minutes need only reflect the general subject matter of discussions in executive sessions authorized under division (G) or (J) of Section 121.22.

##### Auditor of State Comments

1. The minutes should be signed immediately following the meeting at which they are approved. Both the President of the Board of Education and the Treasurer should sign the minutes. The Board minutes are not always signed by the Treasurer and President of the Board when approved at each meeting.
2. The minutes of the regular Board meetings state that the Board approved the payment of bills and the financial statements. Since the Board is not given the actual bills or a list of bills to approve and the bills may already have been paid, the Board should eliminate this from the minutes. The minutes refer to exhibits or attachments that are not in the minutes. All exhibits or attachments mentioned in the minutes should be included in the minutes.
3. The School District's minutes do not reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board of Education's decisions.

## Sheffield-Sheffield Lake City School District – Lorain County

### Financial Accounting Report

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#### Conclusion

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

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



**Sheffield-Sheffield Lake City School District – Lorain County**

**Financial Accounting Report**

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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 20, 2006**