



**Auditor of State
Betty Montgomery**

**Struthers City School District
Mahoning County, Ohio
Financial Accounting Report**

Local Government Services Section

**Struthers City School District, Mahoning County
Financial Accounting Report**

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CERTIFICATION

On May 11, 2005, the Struthers City School District was declared to be in fiscal emergency. Section 118.10(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 118.10(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 Struthers City School District.

Section 118.10(A), Revised Code requires that the Board of Education of the Struthers 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

May 16, 2006

Struthers City School District – Mahoning County

Report on Accounting Methods

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 Struthers 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 presents in narrative form the major transaction cycles of the School District and certain other key activities that affect the accounting and reporting functions. Each section of the report identifies the key elements necessary for an effective system, the related requirements from the Ohio Revised Code and the Ohio Administrative Code, the School District's process, and the Auditor of State's comments for correction or improvement. Information for this report was obtained by interviewing School District personnel, observing operations, and reviewing pertinent accounting, financial and budgetary records during the period of July through December 2005.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Struthers 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 preformed additional procedures, other matters might have come to our attention that would have been reported.

Struthers City School District – Mahoning County

Report on Accounting Methods

Governance Overview

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

On May 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 or whose principal place of professional or business activity is situated within the School District, 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, are given the authority to assume complete managerial control of the Struthers City School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Commission is to specify the level of fiscal and management control that the Commission will exercise within the School District during the period of fiscal emergency and shall 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. Bring 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 assumed the power to approve contracts entered into by the Struthers City School District for personal services and employment, and as a result of collective bargaining, and purchases in excess of \$10,000. The Commission also requires purchase orders under \$10,000 to be approved by the Finance and Management Services consultant of the Ohio Department of Education.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 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.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 of Education 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 of Education 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.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 maintain legal compliance with the adopted appropriations.

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

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

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

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

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to submit five-year projections of revenues and expenditures. 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.

Struthers City School District – Mahoning County

Report on Accounting Methods

Budgetary Process

(Continued)

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

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

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

School District's Budgetary Process

The Mahoning County Budget Commission has waived the requirement that the School District adopt a tax budget. In place of the tax budget, the Budget Commission requires a yearly debt service report consisting of amortization schedules, estimated ending fund balances and estimated revenues for all funds. This information is filed with the Mahoning County Budget Commission no later than January 20. The information submitted to the Mahoning County Budget Commission is also presented to the Board of Education. The Superintendent works with the Treasurer to prepare the information required by the Budget Commission, as well as the annual appropriation resolution.

Struthers City School District – Mahoning County

Report on Accounting Methods

Budgetary Process

(Continued)

After the close of the fiscal year, the Treasurer certifies the fiscal year-end fund balances to the County Auditor and requests an amended official certificate of estimated resources that includes the actual unencumbered cash balances from the preceding year.

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the Mahoning County Budget Commission and receives the commission's official certificate of estimated resources. The official certificate of estimated resources as generated by the Mahoning County Budget Commission reflects data presented in the Certificate of Ending Balances and Estimated Revenue Sources. The Budget Commission determines the amount of millage necessary to provide for current year debt service requirements and calculates the revenue estimates for property tax levies. The Treasurer revises the estimated expenditures so the total estimated expenditures from each fund during the ensuing fiscal year will not exceed the estimated resources as reflected in the original certificate of estimated resources.

The Board of Education adopts a temporary appropriation measure, 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. For fiscal year 2005, temporary appropriations were approved on August 24, 2004 at the fund, function and object level. Expenditures were made between July 1, 2004 and August 24, 2004 without Board approved appropriations. Once the School District receives an amended certificate or a certificate indicating that no new certificate was necessary, the Board of Education adopts permanent appropriations. Permanent appropriations for fiscal year 2005 were approved at the fund level and adopted on October 19, 2004. Fiscal year 2006 temporary appropriations were adopted on June 21, 2005 at the fund, function and object level.

The Treasurer reviews estimated revenues and appropriations monthly. A request for an amended certificate is prepared, if needed, and a supplemental appropriation measure is prepared for Board approval. The supplemental appropriation measure adjusts appropriations by fund so that they do not exceed the estimated resources as anticipated in the new amended certificate. After Board approval of the supplemental appropriation measure, both the request for an amended certificate and the supplemental appropriation measure are sent to the Mahoning County Budget Commission.

Appropriations for all student activities are set at the fund level in the appropriation measure. The Board designates the Superintendent to approve those student activity programs the School District wishes to be operational each year.

Each year the Treasurer prepares a five-year forecast including assumptions that is approved by the Board of Education by resolution and filed with the State Department of Education by October 31. The forecast is filed electronically through the School District's A-Site to Columbus. The forecast is updated and filed again by May 31. The Treasurer keeps the five-year forecast on file in his office with 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 Treasurer'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.

Struthers City School District – Mahoning County

Report on Accounting Methods

Budgetary Process

(Continued)

Auditor of State Comments

- The Board of Education adopts appropriations resolutions based on anticipated amendments to the certificate of estimated resources. Appropriations are to be limited to the estimated resources as reflected in the certificate in existence when the appropriations are adopted. Appropriations adopted in excess of the certificate of estimated resources do not comply with Section 5705.39, Revised Code. The Treasurer should obtain an amended certificate for increases in estimated revenues before the Board of Education appropriates the increases.
- Section 5705.41, R.C. states that no subdivision or taxing unit shall make an expenditure of money unless it has been appropriated. Fiscal year 2005 temporary appropriations were adopted on August 24, 2004. The expenditures made from July 1 to August 23 were without proper appropriations. 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 within the School District that addresses Ohio Budgetary Law and the role each has in the budgetary process.
- The legal level of control, the level at which spending in excess of the budgeted amounts is a violation of law, should be established in the first appropriation measure adopted by the Board. Supplemental appropriation measures should be consistent with this level throughout the year. In addition, supplemental appropriation measures should identify the old and new amounts not just the new amounts.
- The Treasurer compares appropriations to estimated resources; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.
- The appropriations in the accounting system do not agree with the most current supporting documents. Amendments should be posted to the accounting system after approval by the Board of Education. The Treasurer should compare budgeted amounts in the accounting system to the current appropriations measures as passed by the Board of Education to ensure that recorded amounts are accurate.
- The Board of Education has the superintendent approve those student activity programs the School District wishes to be operational each year. Section 3315.062, Revised Code, requires that the Board of Education approve the student activity programs. The superintendent should submit for approval of the Board of Education a list of proposed student activity programs.

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

Section 9.38, Revised Code provides that a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys 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 that 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 internal and external sources in the form of wire transfers, cash, money orders, and checks. External sources of revenue include amounts received from the various State and Federal agencies, the State Department of Education and Mahoning County. Internal sources of revenue include money collected for lunches served in the cafeterias, student activities, athletic events and miscellaneous receipts collected at the various School District buildings. All checks are endorsed with the School District and building making the deposit. All employees who handle money are bonded by position through Indiana Insurance and the Treasurer is bonded through the Ohio Casualty Company with the School District paying the cost of the coverage.

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

(Continued)

Building Receipts: In the various School District buildings, the teachers collect money from students for various fees. A Student Uniform and Supply Account form is used to document the money received.

Mail Receipts: Mail for the Treasurer's office is opened by the Superintendents Secretary or the Board Office Receptionist, who dates and records on a computerized spreadsheet the amount, payee and type of payment (check, cash or wire). The Secretary or Board Office Receptionist then gives all checks and wires along with the supporting documentation to the Accounts Receivable Clerk. 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 Clerk 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. No manual pay-in is completed for monies received directly in the Treasurer's Office. The School District receives property tax monies along with the settlement sheets through the mail.

Wire Transfers: Revenues received by wire transfers are State foundation monies and State and local grants. 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 Treasurer, Accounts Receivable Clerk or the Student Activity Director. 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 reusable zippered deposit bag that is provided by the bank.

All monies received are deposited in the bank using a three part deposit slip. The (white) original is kept by the bank and the pink copy is returned to the School District. The yellow copy is attached to the pay-in. At least once a week, the Treasurer goes to the bank to pick up the pink copies of the deposit slips. The deposit slips from the bank are date stamped and verified to the contents of the deposit bag. The bank copy of the pink slip is matched to the yellow copy of the deposit slip that is attached to the manual pay-in sent to the Treasurer's Office by the various buildings via inter-office mail. Once the deposit slips are received, the Treasurer's Office enters the cash deposit information into the computer system and prints a system receipt which is kept on file in the Treasurer's Office. If there is a difference between the receipt and the deposit slip, the Accounts Receivable Clerk calls the bank and between them, they determine where the error occurred.

Receipt of State Foundation: State foundation monies are wire transferred bi-monthly to the School District's general checking account from the Ohio Department of Education. The foundation settlement, which identifies the various sources of State aid, is printed from the Ohio Department of Education's web page by the Accounts Receivable Clerk. Generally, foundation settlements include restricted and unrestricted receipts, tuition payments from other school districts, and various other State payments to the School District. The Accounts Receivable Clerk enters gross receipts and deductions for STRS, SERS, open enrollment, and any other deductions from the settlement sheet into a journal entry sheet. The Treasurer has developed an excel template for the posting of the foundation settlement. If the Accounts Receivable Clerk sees an unusual item, the Accounts Receivable Clerk will ask the Treasurer for direction in posting. The Accounts Receivable Clerk posts the transactions from the journal entry sheets and prints the receipt. State foundation receipts are posted using the USAS codes presented on the settlement sheets.

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

(Continued)

Receipt of Property Taxes: Upon receipt of the property tax check and settlement from the Mahoning County Auditor the Accounts Receivable Clerk prepares a journal entry sheet for the gross taxes and the deductions by fund, prints a receipt, and files it in the Treasurers' office. The Treasurer compares the printed receipts to the property tax settlement to ensure that all information is correct and properly coded.

Receipt of Grant Monies: The School District receives Federal, State, and local revenue in the form of restricted and unrestricted grants. These grants are received by check and wire transfer, based on a request prepared by the Treasurer. The grant request lists the name of the grant, the amount requested and the proper account codes. The Treasurer sends a copy of the request to the Accounts Receivable Clerk who files the pending request until the funds are received. When money is received by wire transfer, the Accounts Receivable Clerk receives a remittance notice from the grant agency that a direct deposit has been made to the School District account. The Accounts Receivable Clerk matches the grant award to the remittance notice. If a remittance is received that the Accounts Receivable Clerk or the Treasurer cannot identify, the Ohio Department of Education is contacted for the information necessary to properly code the revenue. Grant monies received by check are entered into a check tracking spreadsheet by the Superintendent's Secretary. The checks are listed on a deposit slip, placed in a plastic deposit bag to be taken to the bank for deposit by the Treasurer. The Accounts Receivable Clerk creates a journal entry sheet with the information from the check tracking spreadsheet with the proper account for all grant monies using information provided from the grant requests or remittance notices, posts the transaction into the computer system, prints a receipt, and files it with the copy of the Treasurer's request in the Treasurer's office.

Athletic Event Receipts: The School District requires payment for attendance at several types of athletic events. Adults work as the ticket sellers. In August, the Athletic Director receives the athletic events change fund money in the amount of \$1,000 and a checking account for petty cash in the amount of \$3,000. The change fund is returned to the Treasurer's office prior to the close of the School District's fiscal year in June. The money is used by the Athletic Director to provide start up cash for each ticket seller working an athletic event. The cashier receives a cash drawer and a ticket accountability form for use with each game. The form includes the date, name of the seller, type of sporting event, and the beginning number of the adult and student ticket rolls being used. Persons buying tickets pay the ticket seller and receive their ticket. The ticket is given to a ticket taker at the entrance to the game, who tears the ticket in two, throwing half away and giving half to the ticket buyer. The ticket seller records the number of tickets sold by category and the amount of cash counted onto the ticket accountability sheet. The Ticket Manager tracks the beginning and ending ticket number sold and compares this to the number of tickets sold by the ticket seller. The change fund is returned to the Athletic Director at the end of each event separate from the ticket proceeds.

Ticket sellers record any discrepancies between what was sold and what was collected on the ticket accountability sheet. The ticket sellers inform the Athletic Director of any discrepancies. Both parties discuss the discrepancies. These discrepancies are resolved by decreasing or increasing athletic events revenue through the use of the change fund. If a ticket seller is chronically off on the ticket money, that person would be excused and be made responsible for the discrepancy. The Athletic Director collects the cash from each ticket seller and locks it in the Athletic Department vault until the next school day.

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

(Continued)

The Ticket Manager re-computes the sales and compares the amount collected to the number of tickets sold times the ticket price for student and adult tickets within 24 hours of the event or the next business day for each ticket accountability form prepared by the ticket sellers. The money and deposit slip are placed in a deposit bag by the Ticket Manager and kept in the vault of the Athletic Director's office until it is picked up by the Activity Clerk. If the ticket accountability form notes a discrepancy between the value of the tickets sold and the deposit, the deposit bag is opened and re-counted. The Ticket Manager prepares a pay-in form and the deposit ticket.

The pay-in form is a three-part, preprinted form that is used as a receipt. A copy of the pay-in form is given to the Athletic Director, a copy of the pay-in form is delivered to the Activity Director and a copy is retained by the Ticket Manager.

The Activity Director takes the money to the bank to be deposited. The Activity Director then matches the yellow deposit slip to the pay-in on file in the office, prepares a journal entry sheet with the proper revenue codes, posts the revenues, prints a receipt, and files it in the Treasurer's office. The pink deposit slip is attached to the pay-in. The bank retains the white deposit slip.

The petty cash checkbook and change funds for athletic events are kept locked in a floor safe.

Student Activity Receipts: When student organizations have a fundraiser, a sales project potential form is completed and signed by the activity advisor. The activity advisor responsible for the activity fills out the top section of the form that provides the name of the organization, proposed sales project, the name of the vendor that items will be purchased from, quantity, cost per unit and proposed sales price per unit. This portion of the form requires approval by the Principal and the Superintendent prior to the start of the fund raising project. Items to be sold are always paid for prior to the start of the sales project.

The bottom portion of the form is filled out and signed by the activity advisor, the Principal and the Superintendent when the project is completed. This section details the number of purchases, the number of sales, explanations for any differences between the purchases, sales and returns, other cash discrepancies, and total cash recorded. As cash is collected through out the fund raising event, the money is deposited and the sales project potential form records each collection and deposit. Once the fund raising event is done, the completed form and cash are given to the Activity Clerk at the high school and to the building Secretary at the elementary and middle school buildings. The Activity Clerk recounts the deposit and verifies the amount to the deposit. Once the verification is completed, a pay-in form and deposit ticket is prepared. Two copies of the bank deposit tickets and the money are placed in a deposit bag and kept in a safe to be picked up and taken to the bank by the Activity Clerk. A separate deposit slip is made for each and every pay-in to identify the flow of funds from the advisor to the bank deposit confirmation confirming the transactions. The Activity Clerk then takes the deposit to the bank, matches the yellow deposit slip to the pay-ins on file, prepares a journal entry sheet with the proper revenue codes, posts the revenues, prints a receipt and files it in the Treasurer's office. The pay-in form and a copy of the system receipt are sent to the Treasurers' office and a copy of the pay-in form is given to the activity advisor.

At the present time, the sales project potential form is recommended by the School District but not enforced.

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

(Continued)

Student Fees. A board approved student handbook is given to each student during orientation at the start of the school year. Each student and parent must sign the handbook to acknowledge they have received and read the handbook. Each student will show a signed copy of the handbook to the homeroom teacher. The homeroom teacher will then check the students name to show compliance. The homeroom teacher will then verbally tell the principal that all students in her class are in compliance. The building principal then tracks that all teachers have reported compliance. The student handbook contains the fee schedule for each school building and then further categorized by grade and subject.

For the elementary and middle school, the building secretary prints a list of students by homeroom with the fee the student is required to pay. This list is taped onto a manila envelope and given to the homeroom teacher. As the students pay the fees, the homeroom teacher places the money into the manila envelope and marks the name of the student as being paid and the date the payment was received. Once a student helper delivers the manila envelope to the building secretary, the building secretary counts the money in the envelope and confirms the amount to total amount of students whom have paid that day. If there are any discrepancies, the building secretary calls the teacher to resolve them. Once all the envelopes have been counted, the building secretary fills out a three part deposit slip, places the money in a deposit bag and deposits the money in the bank. The pink and the white copies of the deposit slips go to the bank with the deposit. Once the deposit has been made, the building secretary retains the pink deposit slip in a drawer and sends the yellow copy of the deposit slip, along with the bank confirmation of the deposit, to the Board of Education through the inter-school mail carrier. The Board Office Receptionist records the amount onto the computerized spreadsheet of revenue. The yellow copy of the deposit slip and the bank confirmation then is given to the Account Clerk for entry into the receipt book and a computerized receipt is generated and filed numerically in the Treasurer's Office. The yellow copy of the deposit slip and the bank confirmation is stapled into the receipt book. If a student is unable to pay the fee due to indigence, the building principal will confirm the student is part of the free and reduced lunch program in order to make a decision that the student will not have to pay.

For the high school, the building secretary prints a list of students by class. This list is given to the classroom teacher. As the students pay the fees, the teacher places the money into the manila envelope and marks the student as paid on the list. The teacher then completes the two-part Uniform and Supply Account Form. This form indicates the date, sources, currency, coin and check (including name, amount and check number) received and the teacher's signature. When the teacher gives the Uniform and Supply Account Form and the cash collected to the Student Activity Director, the Student Activity Director recounts the money in front of the teacher. The Student Activities Director completes a pay-in and writes the pay-in number on the Uniform and Supply Account Form. The white copy of the form is retained on file in the Director's office and the yellow copy is sent to the board office. The Director completes a deposit ticket and takes the deposit to the bank. The pink and the white copies of the deposit slips go to the bank with the deposit. Once the deposit has been made, the Director retains the pink deposit slip which is attached to the white copy of the Uniform and Supply Account Form and sends the yellow copy of the deposit slip, along with the bank confirmation of the deposit, to the Board of Education through the inter-school mail carrier. The Board Office Receptionist records the amount onto the computerized spreadsheet of revenue. The yellow copy of the deposit slip and the bank confirmation then is given to the Account Clerk for entry into the receipt book. A computerized receipt is generated and filed numerically in the Treasurer's Office. The yellow copy of the deposit slip and the bank confirmation is stapled into the receipt book.

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

(Continued)

Receipt of Cafeteria Funds: The School District collects money for food sales at the high school, junior high school, and elementary school lunchrooms. The School District's food service operations utilize "Café Terminal" software to record daily transactions. There is one cashier assigned to each school. The cashier collects all the money and reconciles the drawer from a printed report off of the Café Terminal software. Each cashier is personally responsible for any discrepancies in their drawer. Each student has been assigned a student I.D. number. The I.D. numbers are coded to identify students that receive reduced, free or full price lunches. The students inputs their I.D. number into the Café Terminal software which tells the cashier the price of the student's lunch. Ala cart items are sold at full price in the cafeteria regardless of the economic status of the student. At the end of the lunch period, after the drawers have been reconciled to the printouts provided by the Café Terminal software, the individual cashiers take the drawer money to the bank for deposit. The yellow copy of the deposit slip is given to the Food Service Supervisor and the pink copy is given to the Accounts Receivable Clerk in the Treasurer's Office to record the transaction. The bank retains the white copy of the deposit slip.

Prior to the start of the school year, letters are mailed to the parents or guardian of each student regarding the cost of lunch. An application for free and reduced price lunches is included with the letter that also explains the criteria that must be met to be eligible for these types of lunches. Students wishing to receive free or reduced price lunches return the completed form to the Food Service Supervisor who approves or disapproves the applications. The forms are kept on file in the office of the Food Service Supervisor. Upon approval of the application, the cashier enters the student's I.D. into the Café' Terminal software.

The change fund for all cafeteria monies is secured when not in use. For the High School, the money is kept in a file safe. For the Junior High School, the money is kept in a floor safe. For the Elementary School, the money is kept in the food service locking freezer.

Miscellaneous Revenue

All revenue received through the mail at the Board of Education is opened, dated and recorded on a computerized spreadsheet indicating the amount, payee and type of payment (check, cash or wire) either by the Superintendent's Secretary. A deposit slip is prepared and coded with a receipt code. The School District utilizes the USAS Receipt Processing Software to generate the deposit entry slip to the receipt book. These deposits are given to the Treasurer for deposit at the bank. Upon return, the pink copy of the bank deposit is attached to the duplicate deposit slip and is given to the Accounts Receivable Clerk for entry into the receipt book. The yellow copy of the bank deposit is stapled to the receipt. The bank retains the white copy of the deposit slip. A computerized receipt is generated and filed numerically in the Treasurer's Office. At month end, the computerized spreadsheet of revenue received through the mail is given to the Accounts Receivable Clerk by the Treasurer to compare to the receipts ledger to check for discrepancies and is attached to the ledger report for audit purposes.

Billings

The Accounts Receivable Clerk prepares and mails invoices for tuition, graphic art charges, employee services, custodial services, transportation, and food catering provided to private groups for special functions. The copies of the invoices are maintained in a folder in the Treasurer's office until the payment is received. The Accounts Receivable Clerk matches the payment to the invoice, enters the check into a check-tracking log, and adds the check to the daily deposit slip. The check tracking log is used when checks are received through the mail in order to verify said funds are properly handled and deposited. The check tracking log is

Struthers City School District – Mahoning County

Report on Accounting Methods

Revenue Activity

(Continued)

compared to the bank statement on a monthly basis. Before the end of the day, money and checks received are placed in a deposit bag with the corresponding deposit slip to be picked up and taken to the bank by the Treasurer. The Treasurer compares the amount of cash and checks to the deposit slips before going to the bank. The Accounts Payable Clerk creates a journal entry sheet from the log for all billings, posts the transaction, prints a receipt, and files it in the Treasurer's office.

Non Sufficient Funds (NSF) Check: The School District contracts with E-Collect of Ohio for the collection of NSF checks. When a check is returned for non-sufficient funds, it is sent directly to E-Collect from the School District. E-Collect sends the School District a fax of the front and back of the check. This is kept on file in the Treasurer's office. Each check bears a stamp from the building that made the deposit. The Accounts Payable Clerk calls the school building that made the deposit to get the correct fund and account code of the receipt and prepares a journal entry sheet to reverse the receipt.

If E-Collect is successful in collecting the funds, an electronic deposit by E-Collect is made and a fax listing the name on the check and the check number is sent to the School District. The Accounts Receivable Clerk pulls the NSF file to retrieve the check information previously removed from the system, posts the new deposit, and prints a receipt. E-Collect mails the fax that was sent previously to the School District to ensure the School District has a record of the payment.

Auditor of State Comments

- The Student Activities sales project potential form is not being filled out correctly prior to the fund raiser. The Student Activities sales project potential form should be filled out correctly by the Advisor prior to the fund raiser. The Principal and the Superintendent should not sign incomplete forms.
- Ticket discrepancies are currently resolved by the use of the change fund. A policy should be implemented to ensure that discrepancies from ticket sales are documented and dealt with in a consistent and timely manner.
- At the present time, the sales project potential form is recommended by the School District but not enforced. Some forms are being filled out after the project has ended and funds are not being deposited within 24 hours. The sales project potential form should be completed timely and deposits made within 24 hours.
- 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 various buildings and departments and to post receipts into the system. The School District needs to eliminate "Pay-in" from the forms used in the buildings and label them receipts. The receipt forms should be pre-numbered and controlled.

Struthers City School District – Mahoning County

Report on Accounting Methods

Purchasing Process

Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded. The purchasing process should be integrated with the budget to ensure compliance with Board adopted appropriations. The process should include selection of the vendor with the best price as well as authorization to proceed with the purchase by an appropriate individual. In addition, authorization must include the 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.

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Report on Accounting Methods

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.

Struthers City School District – Mahoning County

Report on Accounting Methods

Purchasing Process

(Continued)

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

Section 3313.18, 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."

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

School District's Purchasing Process

Contracts which exceed \$25,000 are the given to the Superintendent to make the necessary arrangements for public bidding. At the bid opening, the Treasurer receives and records all bids. The Treasurer sends the information to the Assistant Superintendent of Business Operations who reviews the information and makes a recommendation to the Superintendent based on the best bid. The Superintendent presents the recommendation to the Board. The Board, by resolution, awards a contract and a 412 certificate is issued. Contracts under \$25,000 are determined by the best quote given from the prospective contractor.

When goods or services are required, an employee completes a manual requisition request form that contains the vendor name and address, the quantity and description of the items to be ordered and any required shipping information. The employee making the request to purchase items uses their own discretion to locate the vendor with the best price for purchases under \$5,000. For purchases over \$5,000, three prices quotes are required. The School District keeps a list of vendors. If the employee is ordering merchandise from a vendor that the School District has not previously used (a vendor not included on the vendor listing), the building secretary notifies the Accounts Payable Department. The Accounts Payable Department searches the vendor numbers that are currently in the system and if the vendor is not found, a vendor number is assigned. The new vendor number, name, and address are entered into the computer by an Account Clerk in the Accounts Payable Department and a vendor worksheet is completed. The Accounts Payable Supervisor informs the Treasurer of the new vendor. The Treasurer checks for the new vendor on the Auditor of State

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Report on Accounting Methods

Purchasing Process

(Continued)

website for findings. If the vendor name appears, the originator of the request is notified that the vendor cannot be used. If the vendor does not appear, the manual requisition request form is given to the building principal or department supervisor who will verbally approve or disapprove the request. Upon approval, the manual requisition request form is sent to the building secretary. The building secretary or the person responsible in the absence of the secretary enters the information from the manual requisition request form into the computer and a pre-numbered purchase order requisition is posted for the Accounts Payable Department to print. The employee requesting the purchase, the School Principal and the Superintendent or designee, sign off on the purchase order requisition form. The Treasurer signs the purchase order once the money is encumbered in the system. The manual requisition request forms are retained in the office of origin.

The Accounts Payable Supervisor and the two Account Clerks print off posted purchase order requisitions each day by 3:30 p.m. and the Treasurer reviews them to ensure that they are properly coded to a correct account, that the unencumbered balance for each account is sufficient to cover the request and that the purchase order is not subject to bid. The software aggregates multiple purchases to one vendor to aid in determining if the bid limit is exceeded. In addition, the software prompts the operator if the purchase order exceeds the unencumbered balance amount. If there is a coding error or appropriations are not available, the purchase order requisition is returned to the employee who made the original request. Purchase order requisitions that are correct are sent to one of five people that the Superintendent has designated to sign and approve. These five personnel are the Director of Instruction, the Director of Athletics, the Director of Special Services, the Supervisor of Buildings and Grounds and the Coordinator of E.M.I.S. Upon approval by the designated signers, the purchase order requisition is returned to the Accounts Payable Department where the information provided from the purchase order requisition is converted into a sequentially numbered (generated by the software system) purchase order.

The purchase order is a multi-part form. The Accounts Payable Clerk sends the purchase orders to the Data Processing Department to be separated by a bursting machine into five parts by color. The purchase orders are then returned to the Accounts Payable Clerk and distributed as follows:

- 1) White (Vendor's Copy) - Original gets mailed or faxed to the vendor by the Accounts Payable Department.
- 2) White (Treasurer's Copy) - Treasurer's office, Accounts Payable Clerk.
- 3) Pink (Posting Copy) - Returned to the building Secretary until goods are received.
- 4) Yellow (File Copy) - Returned to the building Secretary for their files.
- 5) Blue (Receiving Copy) - Returned to the building Secretary.
- 6) Salmon (Principal's Copy) - Returned to building Principal.
- 7) Green (Requisitioner's Copy) – Returned to the staff employee who originated the purchase.

The School District purchases goods and services with blanket and super blanket purchase orders as needed. Blanket purchase orders are limited to 90 days and \$5,000. Custodial supplies, food service items and miscellaneous items such as memberships and travel reimbursement are authorized by blanket purchase orders.

Then and Now certifications are used only when goods have been ordered and the employee requesting the goods is unable to wait for the regular purchase order cycle to occur. In recent years, none have been utilized.

Struthers City School District – Mahoning County

Report on Accounting Methods

Purchasing Process

(Continued)

The Accounts Payable Supervisor and the two Account Clerks are responsible for processing purchase orders. Each person has a group of purchase orders they maintain according to an approval level list created by the Accounts Payable Supervisor. All printed purchase orders are sent to the Treasurer to be signed. Upon approval by the Treasurer, the purchase orders are returned to the Accounts Payable Clerk.

At the end of the fiscal year, all outstanding purchase orders are reviewed by the Treasurer and the Accounts Payable Supervisor. If there is no hope in their professional opinion of items to be shipped or completed, the purchase order is closed. If the School District is anticipating shipment, the purchase order will be left open.

Auditor of State Comments

- The School District should maintain a printed copy of the results of the search of the Auditor of State's Finding for Recovery website as proof of verification of vendors.
- Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the board of education and the treasurer continues to issue blanket certificates under the old statutory restriction of 90 days or \$5,000. The board of education should set by resolution the maximum dollar amount for blanket certifications.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 payment 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 ordering 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 for 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."

Struthers City School District – Mahoning County

Report on Accounting Methods

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 Accounts Payable Department has the responsibility to ensure that goods and services are received prior to payment. Goods are delivered to the office that originated the order. When goods are received the building Secretary pulls the yellow copy of the purchase order, verifies the goods received to the packing slip/service slip (when a service is provided), initials and dates the purchase order and notes whether the merchandise has been received in full. The purchase order and packing slip are then sent to the Accounts Payable Department in the Treasurer's office to be filed until an invoice for payment is received. All invoices are mailed to the Treasurer's office. If a packing slip is not available, the goods are verified against the blue receiving copy of the purchase order. If the order has not been received in full, the originator of the order identifies the items that have been received and partial payment is approved by the Treasurer. If an order has been submitted without a purchase order, the School District has three options: 1) authorize the use of a “Then and Now” certificate, 2) issue a purchase order after the fact, or 3) at the Superintendent's discretion, the School District would not honor the purchase order and the employee who placed the order would be made responsible. These situations are rare with the School District. The Treasurer has made an effort to not use the “Then and Now” certificate. Purchase orders issued after the fact are used in emergency situations when parts or supplies are needed and there isn't time to go through the regular purchase order procedures.

Bills are paid once a week, more often if necessary, based on the invoice due date or upon a review of outstanding invoices and determination by the Treasurer that sufficient cash is available in the funds. The Accounts Payable Department processes checks for payment. Most invoices are received in the Treasurer's office by mail, but occasionally, an invoice arrives by the School District Courier from one of the school building Secretaries. As invoices are received, the Accounts Payable Clerk matches the invoices to the purchase orders, packing slips and any other supporting documentation on file and re-computes the extensions and totals. Invoices for payment are gathered and sorted by vendor number. The invoice information and amount is entered into the computer system and totaled by the Accounts Payable Clerk. The Accounts Payable Clerk uses the invoice vendor list to verify the vendor, invoice date, amount, fund and total of the checks to be processed. Once the verification is completed, the Accounts Payable Clerk takes pre-numbered checks and loads them into the check-printing machine and prints the checks. A separate machine is used to sign the checks. The signature plate and the pre-numbered checks are kept in a safe in the Board of Education office. Access to the safe is limited to employees in the Treasurer's office and is locked when the administration building is closed.

The Accounts Payable Clerk reviews the blanket purchase orders with each payment made to determine whether a new blanket purchase order is necessary. If a new one is deemed necessary, the old purchase order is marked completely paid or by canceling the remaining encumbrance, depending on the appropriate categorization.

Struthers City School District – Mahoning County

Report on Accounting Methods

Cash Disbursements

(Continued)

Occasionally, invoices are mailed to the School District for payments that are more than or less than the original purchase order amount. These discrepancies are usually due to shipping costs. For purchase orders with discrepancies in excess of 10 percent of the original purchase order, a change order is required for the new total. These invoices are given to the Accounts Payable Clerk to research and determine why the amounts differ. If an error was made by the vendor, the Accounts Payable Clerk contacts the vendor to resolve the discrepancy. If the discrepancy results from an error made by the School District, the Accounts Payable Clerk records the changes to the original purchase order through the amended change order and the Treasurer initials for approval.

A check pay report is printed after checks have been processed. The system automatically posts the transactions to the various expenditure accounts, and decreases the encumbered amount by the amount of the invoice. The check pay report lists the check number, date issued, vendor and expenditure amount. The Treasurer reviews the printed checks for completeness and to ensure that no amounts have changed from invoice to check. The checks are taken to an Account Clerk in the Accounts Payable Department to separate the copies. The School District uses three part checks containing an original and a yellow and pink copy. The original and the remittance advice is placed in an envelope and sent to be mailed. The yellow copy is attached to the supporting documents, which become the voucher package and are filed in binders in the Treasurers' office by check number in groups of fifty. The pink copy is filed numerically in bound books in the Accounts Payable Clerk's office.

Under certain circumstances, a manual check is written and posted the same day. Checks are voided when a printing error occurs, if payment must be stopped or to align checks during the printing cycle. A voided check has void stamped and manually written on the check and over the signature line. The voided checks are filed numerically in a vault in the Treasurers' office.

The Accounts Payable Clerk maintains a control check log that reflects the date and check numbers for each batch printed and any voided checks. The control check log lists any voided check numbers, the beginning and ending check numbers, and the next check number that will be used. The log is maintained by the Accounts Payable Clerk after the checks have been prepared and filed in the Treasurer's office. Once final payment is made the purchase order is closed.

Payments in cash will be made only on items of \$25 or less on personal presentation of a signed cash voucher which must have the invoice slip attached.

Approval of the activity sponsor and school principal must be secured before items are purchased from petty cash funds. Payments may be made by the school secretary from the petty cash fund. Petty cash funds have been set-up for the Treasurer, the school buildings and the athletics department in the amounts of \$50, \$480 and \$3,000, respectively. These accounts are used for miscellaneous parts, supplies and payment to sporting event officials. Change funds have also been set-up for the athletics, food service and senior class departments in the amounts of \$1,000, \$160 and \$800, respectively. The use of change funds are for ticket sales, for cafeteria registers and for fund raising activities.

Struthers City School District – Mahoning County

Report on Accounting Methods

Cash Disbursements

(Continued)

Auditor of State Comments

- Voided checks should have the signature block removed to ensure the check does not make it through any automated system.
- The School District should document the procedures for cash disbursements 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. The document should be kept on file in the Treasurer’s office.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 about 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 paychecks, 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.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 Struthers City School District are represented by the Struthers 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 Process

The School District's pay period for all employees begins on Sunday and ends fourteen days later on Saturday; they are paid thirteen days later on Friday. Payroll is processed for approximately 250 full and part time employees. Certified employee's annual contract amount is paid over twenty-six bi-weekly pay periods.

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

Payroll checks and the signature stamp are kept in the wall safe in the Treasurer's office. Access to the safe is limited to employees in the Treasurer's office and the vault is locked when the administration building is closed. A separate checking account is used for the payment of net earnings to employees and the payment of employee withholdings.

The Treasurer's Office prepares all employment contracts and salary notifications. These documents are processed, printed and filed by the Treasurer's Office to ensure that the contract information is correct. All contract renewals are recommended to the Board through the Superintendent and are approved at the April Board meeting. The Superintendent checks that the teachers have the proper license and generates a list which is then kept on file in the Superintendent and Treasurer's office. New employee contracts are approved by the Board throughout the year. The Treasurer's Office prepares a change sheet book which summarizes all Board approved contracts and is kept on file in the Treasurer's office. The change sheet book lists all employees and their annual contract amount or hourly rate for the next school year and is presented by duration and type of contract. Once the change sheets are approved by the Board, they are kept on file in the Treasurer's office. After approval by Board resolution, the contracts are signed by the Treasurer and a rubber stamp bearing the Board President's signature is utilized. The majority of the contracts are forwarded by interoffice mail to the employee to be signed. The employee signs the contract and returns it to the Treasurer's Office. The Treasurer's Office creates a hire sheet for each new employee that provides all the information needed for payroll and forwards the sheet to the Payroll Department to be entered into the computer system. Each contract is placed in the employee's personal file located in the Payroll Department.

Struthers City School District – Mahoning County

Report on Accounting Methods

Payroll Processing

(Continued)

Administrators: Administrative contracts are prepared by the Treasurer based upon contract provisions approved by the Board of Education. These contracts establish the annual rate of pay, vacation accrual rate, retirement contributions, annual vacation and personal leave days to be credited, sick leave accrual and job duties and expectations for each employee. In addition, the contract states that the Board will provide the employee with health, dental, vision, and life insurance in the same manner and to the same extent as other employees. 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. The Treasurer's contract runs from January 1 through December 31. Contracts are paid over twenty-six pays. The signed contracts are kept on file in the Treasurer's Office.

Certified Employees: The teachers' salaries and benefits are governed by a negotiated agreement between the Struthers City School District and the Struthers Education Association OEA/NEA/NEOEA. The present contract covers the period July 1, 2004 through June 30, 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 Treasurer's Office. The teachers' contracts are normally sent through interoffice mail in early August. Before any contracts are mailed, they are approved by the Board and signed by both the Treasurer and the Board President. The contracts are either limited or continuing and sets forth the number of days to be worked by the employee and the annual rate of pay. The contracts become effective September 1 and run through June 30 of the subsequent year.

Once the contracts have been signed and returned to the Treasurer's office, the Payroll Supervisor enters the contract amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pay periods. The contracts are kept in individual employee files in the Treasurer's Office. The Treasurer reviews the contract amounts entered by the Treasurer's office staff to the individual contracts. Certified contracts are adjusted during the year when an employee has a change in degree status. These upgrades are done twice a year and after presentation of college transcripts.

Certified employees earn longevity stipends after their twenty-second and twenty-sixth years of teaching experience. These payments are paid in every paycheck following the completion of the school year in which the criteria are met.

The Treasurer is responsible for processing supplemental contracts. These contracts are issued at the same time regular certified contracts are issued for regular employees who continue to fill the supplemental position. If a regular employee is filling a supplemental position for the first time, they receive the contract after they are approved by the Board of Education to fill that position. All supplemental contracts with regular employees are paid in a lump sum unless the pay exceeds six percent of the employee's base pay. In this case, the employee has the option for a lump sum or payment prorated over twenty-six pays. Any supplemental contracts granted to someone other than a regular employee are paid in a lump sum after the contracted duties are completed and an evaluation by the building principal or Athletic Director has been submitted.

Struthers City School District – Mahoning County

Report on Accounting Methods

Payroll Processing

(Continued)

Classified Employees: The classified employee's salaries and benefits are governed by a contract negotiated between the Struthers City School District and the Ohio Association of Public School Employees. The present contract covers the period of July 1, 2005 to June 30, 2006. The contract sets forth hourly rates for all classified positions except Board Office positions. The Board Office position rates are established by the Board. 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 thirty or more hours per week.

The annual salary notifications are sent through interoffice mail in early July for twelve month employees and in August/September for nine month employees. These notifications are included with the employee's first paycheck for the new contract year. The annual salary notification identifies the new salary for the next contract period. New contracts are prepared for classified staff by the Treasurer or the Payroll Supervisor. Classified employees are given a probationary contract for their first year with the School District. Upon completion of this contract, the School District gives the employee a continuing contract which is in effect until the School District or employee terminates employment. After an employee has entered into a continuing contract, only a salary notification letter is mailed to the employee in the following years. These contracts establish the hourly or annual rate of pay for each employee and the 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 either twelve months from July 1 to June 30 or for nine months from September 1 to June 30 of the subsequent year and are paid over consecutive bi-weekly pays. The signed contract is kept on file at the Treasurer's office.

Classified employees are paid at an hourly rate as provided in the negotiated agreements over twenty-six bi-weekly pay periods except classroom aides who are paid over twenty-one bi-weekly pays. Classified employees are required to submit a time card/time sheet for each pay period. Time card/time sheet indicate hours worked, days/hours absent and the type of hours worked (regular or overtime). Time cards/time sheets must be signed by the Department Supervisor. The Payroll Clerk verifies the time cards/time sheets calculations and leave usage to leave approval. Any discrepancies are resolved between the Payroll Clerk and the Department Supervisor prior to payroll processing.

Overtime earned is paid in the pay period in which it was earned for hourly employees. An employee receiving overtime pay must complete the overtime rate column on the standard time sheet and document the reason for the overtime. Overtime must be reviewed and approved by the Superintendent before being submitted to the Payroll Department for payment. Any discrepancies are resolved by the Superintendent.

Leave: Vacation and personal leave is credited to each eligible employee annually as indicated in the classified negotiated agreement or in each administrator's contract. Although established by negotiated agreements or in administrators' contracts, all employees currently receive the same amount of sick leave which is accrued monthly at the rate of a day and a quarter. All employee leave usage is posted in the payroll system by the Payroll Clerk based on the information submitted on the leave forms. The system updates the balances automatically.

Struthers City School District – Mahoning County

Report on Accounting Methods

Payroll Processing

(Continued)

Employees must complete a leave form to receive compensation for vacation, professional, sick, or personal leave. Other forms of leave available to employees are jury duty, bereavement leave, and assault leave. In most cases a leave request is submitted and approved by the department Supervisor or building Principal prior to the date requested. Employees report all leave absences to the Call Off Department. The Call Off Department is the Secretary at the Board Office who coordinates substitutes if necessary. The Secretary enters the information into a database and a daily report is forwarded to the Payroll Department. The report lists the employee name, date of absence, time period of absence and the name of the substitute employee, if needed. If a leave form has not already been completed, when the employee returns from their absence, the leave form is completed and given to the building Secretary. The building Secretary forwards the form to the employee's Supervisor for a signature, then the signed form is returned to the building secretary. The building Secretaries are required to submit a bi-weekly absence recap sheet to the Payroll Department with the absence forms attached for verification. The manually kept leave forms, filed per pay and maintained with the employees' records in the payroll office, are used to document usage in the event that an employee questions leave information as reflected on their earnings statement. If an employee takes time off and has no leave available, leave may be advanced under certain circumstances; otherwise, the employee's next pay will be reduced by the hours taken.

Other Employees: Substitute teachers are paid a daily rate and are used as needed. A list of substitute teachers is approved each year by the Board. Substitute teachers complete a daily time sheet. The time sheet is sent to the building Secretary to be sent to the appropriate department Supervisor or building Principal for approval. The Payroll Clerk reviews the time sheets for accuracy by comparing them to the attendance reports and leave forms. Discrepancies are resolved by the Payroll Department and the employee's Principal before payroll is processed.

The School District, in the past, has used Performance Contracts to compensate employees hired for special short-term projects. These contracts are not currently in practice due to the financial status of the School District. These contracts, when in use, comply with the same procedures as certified employees and substitute teachers. The contract is sent to the Board for approval from the Superintendent. The contract details the type of activity, the length of the project and the fund it will be paid from. Upon approval of the contract by the Board, it is submitted to the Payroll Department. The Payroll Department creates a hire sheet. The employee is paid according to the contract terms.

Adult ticket sellers and concession stand workers turn in time sheets signed by the Athletic Director to the Athletic Activity Account Clerk after each event worked. These payments are made at the end of season immediately following the last event.

All extra pay, substitute, and sporting event pay sheets and performance contracts are given to the Payroll Clerk before payroll is processed for proper account coding.

Board members are paid \$80 to \$125 for each meeting, depending on when their respective office term expires. However, during the economic crisis the School District is currently facing, all the Board members have donated their pay to the School District. There is a maximum of 24 meetings that a Board member can be compensated for each year. The Payroll Department prepares checks for each Board member based upon an attendance sheet prepared by the Treasurer, which is supported by the Board minutes.

Struthers City School District – Mahoning County

Report on Accounting Methods

Payroll Processing

(Continued)

Withholdings: Payroll, tax, and retirement forms are given to new employees to be completed, signed and returned to the Treasurer's Office. If employees need to change their payroll or annuity information, they can obtain the appropriate forms from the Payroll Clerk. The Payroll Clerk enters the employee's demographic and contract information into the computer. The Payroll Clerk creates the employee's payroll file and the appropriate retirement system is notified of each new hire that is required to become a member. Board members may elect to be a member of SERS. Completed forms are forwarded to the Payroll Department by inter-office mail and the changes are entered into the system by a Payroll Clerk.

Access to the payroll system is password protected. The Treasurer has given authority to ACCESS, the School District's A-site, to grant access and supply a password. The Treasurer and Payroll Supervisor are the only ones with access, both of which have full access. However, with every payroll, a payroll audit report is generated which details out any and every change that was made in the payroll system during that time. This report is reviewed each payroll by the Treasurer to ensure that all changes made in the payroll system were made correctly.

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 settlement. The Payroll Supervisor posts a memo check for the Board's share of retirement contributions and 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 Supervisor 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, dental and life insurance to all full time employees. Medical, prescription, vision and dental benefits are provided through the Mahoning County School Employee Consortium. Life insurance benefits are provided through Mutual of Omaha. The School District pays 100 percent of the monthly premiums for all full-time staff members and a portion of monthly premiums for part-time staff members. Part-time employees' share of the premium is dependent upon the number of hours worked.

Payroll deductions for medical, prescription, vision, dental and life insurance benefits are processed through the payroll system and then used as part of the payment for part-time staff members. The Payroll Supervisor is responsible for the preparation of the documentation for the payments of medical, prescription, vision, dental and life insurance benefits.

All payroll deduction reports and insurance invoices are maintained by the Payroll Supervisor. The Treasurer is responsible for the payment of the insurance premiums. Any discrepancies between the amounts billed for insurance coverage and what is on file in the Treasurer's Office are brought to the Treasurer's attention so the matter can be resolved.

Payroll Processing: The Payroll Department begins organizing payroll documents on Monday following the pay period end date. All documents must be in the Payroll Department by Monday afternoon. On Monday of the pay week, the payroll is loaded and processing entries for the various electronic fund transfers are made.

Struthers City School District – Mahoning County

Report on Accounting Methods

Payroll Processing

(Continued)

The system calculates the payroll and the deductions. A payroll edit report, a payroll check register, and a payroll direct deposit report are run for verification of entries by the Payroll Clerk. The payroll edit report is used to compare a manual checklist with the changes entered into the computer to ensure that everything was entered. The payroll check register is used to compare the number of employees to be paid with the number of employees on the system. The payroll direct deposit is used to verify that the number of direct deposits equal the number of employees who have signed up for this program. When all of the entries are verified the final payroll reports are generated. These reports include the payroll summary report, the fund and function to be charge summary report, and a benefit charge summary report. The direct deposit amounts are phoned into the bank and then filed electronically by the Payroll Department. The direct deposit must be filed by Wednesday of the payroll week.

Payroll checks and direct deposit notifications are printed by the Payroll Department. If a check is issued in error it is stamped voided and a new check reissued. The Payroll Department uses a check signer with the Treasurer's signature on any checks which will not be direct deposited, places the checks or the direct deposit notifications in the envelopes and sorts them by building for distribution on Friday. The stamp utilized by the check signer is locked in the wall safe in the Treasurer's office. The payroll envelopes are placed in bags and kept in the Treasurer's Office until they are picked up and delivered to each school building secretary by the school Principal. Unless otherwise notified, all employees pick up their payroll envelopes from the building in which they work. Payroll envelopes for the substitute teachers are mailed to their homes. If an employee notifies the Payroll Department that they will be absent on payday, they may pick up their pay envelope from the Payroll Department on Thursday afternoon. If no arrangements have been made, the payroll envelope is held in locked cabinet at the respective building. The bags are returned to the Payroll Department by the school Principal.

The Payroll Department prepares the part-time employee insurance deductions checks and the medical and life insurance reports. The reports and the checks are sent to the Accounts Payable Clerk. The Accounts Payable Clerk verifies all the information to the reports that have been run and prepares and sends a check for the amount due to the Austintown Local Schools, the fiscal agent for the Mahoning County School Employee Consortium.

Fiscal and calendar year payroll reports are processed after the last payroll for quarterly and year-end periods. W-2's are processed and distributed to the employees by interoffice mail or regular mail on or before the January 31. All required calendar year reports are forwarded to the respective agencies.

If a check is lost, the employee must wait five 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 "void" in the check register. This information is used for processing the bank reconciliation.

Auditor of State Comments

- The School District provides each employee that holds a contract for the next school year with an annual salary notification in August. State law requires the annual salary notification to be given before July 1, each year. The School District should send the annual salary notifications to the appropriate employees in June each year.

Struthers City School District – Mahoning County

Report on Accounting Methods

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before any 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 appropriated 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 District are found in Title 33 of the Ohio Revised Code. The statutory requirements vary depending on the nature of the debt being issued.

Methods Used by the City

The amount of the School District’s outstanding debt at June 30, 2005 was \$7,964,265 and consists of the following:

<u>Debt Issue</u>	<u>Interest Rate</u>	<u>Principal Remaining 06/30/05</u>
General Obligation Bonds:		
School Improvement Refunding Bonds, 2002	1.90 to 4.30%	\$1,720,000
School Improvement OSFC Bonds, 2002	4.35 to 5.50%	3,600,097
School Improvement SMS Bonds, 2002	6.50%	91,284
<i>Total General Obligation Bonds</i>		<u>5,411,381</u>
Notes:		
Energy Conservation Note, 1998	4.97%	263,700
Real Estate Acquisition Note, 2002	4.75%	10,073
<i>Total Notes</i>		<u>273,773</u>
Loans:		
State Solvency Assistance, 1996	5.10%	240,316
State Solvency Assistance, 2005	0.00%	1,907,000
<i>Total Loans</i>		<u>2,147,316</u>
Capital Lease		
Various NFSS Weight Equipment	2.89%	131,795
<i>Total Debt</i>		<u><u>\$7,964,265</u></u>

Struthers City School District – Mahoning County

Report on Accounting Methods

Debt Administration

(Continued)

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

The funds for payment of principal and interest on all of the general obligation bonds and the energy conservation note are provided by property taxes, which are accounted for and paid from the bond retirement debt service fund.

In 2001, the School District entered into a five-year real estate acquisition note that will mature in 2006. The funds for payment of principal and interest will be from the proceeds of the sale of the land, unused bond proceeds and transfers from the general fund. The funds are accounted for and paid from the classroom facilities capital projects fund.

The fiscal year 1996 State Loan was a loan from the State to eliminate the general fund deficit. The School District exercised a one-time option to repay the loan over a ten year period from State foundation revenues.

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 years from State foundation revenues.

In 2004, the School District entered into a three-year lease for recreational weight equipment for the fitness center. The funds are accounted for and paid from the general and permanent improvement capital projects fund.

Auditor of State Comments

- The School District issued notes for the acquisition of real estate and placed the proceeds in the School Facilities fund rather than a Bond Fund (004). The notes are being retired from the School Facilities Fund (010). The notes should be retired from a debt service fund. The School District also sold land and placed the proceeds in the School Facilities fund rather than a permanent improvement fund (003) required by Section 5705.10, Revised Code. The School Facilities Fund is to account for State grants and local resources restricted to the construction of school facilities, not the acquisition of real property or the retirement of notes. Resources remaining in the School Facilities fund after all obligations are paid are returned to the State and/or transferred to the Bond Retirement fund. The treasurer should review the Uniformed School Accounting System (USAS) Manual for the proper use of funds and Auditor of State Bulletin 99-004, Accounting for School Facilities Grants/Loans.

Struthers City School District – Mahoning County

Report on Accounting Methods

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, whether the item is leased and current purchases and disposals. 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 Code Requirements

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

School District's Method of Accounting for Capital Assets:

The Board of Education has adopted formal policies regarding capital assets. These policies require the maintenance of a capital asset accounting system and capitalization of capital assets valued over \$5,000. All capital assets with a value of at least \$100 are recorded by the School District through Valuation Engineers for insurance purposes. The last physical inventory was performed by the Valuation Engineers Appraisal Company in July 2003.

All capital assets are purchased from a 600 or 700 expenditure object codes. The capital asset is delivered to the school building that ordered the asset and is tagged by the building custodian. When computers are ordered and delivered to the school where they will be used, they are tagged by the building secretary. Prior to the purchase order being sent to the Treasurer's office for payment, the tag number, a description of the item, the model number, the serial number and the location of the item are written on the data sheet provided by Valuation Engineers Appraisal Company by the building secretary.

In June of each year, the Treasurer reviews the data sheets that have been accumulated to identify the items that meet the capitalization threshold. The Treasurer enters the information into a capital asset data sheet provided by the Valuation Engineers Appraisal Company and creates a list of additions.

Struthers City School District – Mahoning County

Report on Accounting Methods

Capital Assets and Supplies Inventory

(Continued)

Each building uses a Tagging/Transfer Equipment Form to track disposals and transfers of capital assets. These forms are sent to the Building Principal each year, and then forwarded to the Treasurer's office. The Building Principal verifies the existence of each asset assigned to that building. The Treasurer enters this information into a computer data sheet provided by Valuation Engineers Appraisal Company to create a list of deletions. When all the information is put into the computer, the Treasurer prints a master list of yearly additions and deletions and sends the information to Valuation Engineers Appraisal Company. Valuation Engineers Appraisal Company updates the information for the School District and sends the School District a new report to reflect all information required to report capital assets for the school fiscal year.

The Music Department maintains an inventory of all musical instruments through Valuation Engineers Appraisal Company. Parents and students sign a contract upon receipt of the instruments. A fee is collected from the students to offset the costs of maintenance and repair of the instruments.

A master list of the Media Department audio/visual equipment is maintained by Valuation Engineers Appraisal Company for the end of the fiscal year.

School District's Method of Accounting for Supplies:

The food service department performs a physical inventory of supplies at the end of each month.

The building Food Service Managers complete monthly inventory reports and submit them to the Food Service Supervisor. The inventory is maintained by the Food Service Supervisor using an excel spreadsheet. The Food Service Supervisor uses the spreadsheet information to complete the State Child Nutrition reports online which are submitted to the State Department of Education.

Auditor of State Comments

- The capital assets policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students).
- The Board should approve the increase in the capitalization threshold by resolution. The policy should be updated to include the new capitalization threshold.

Struthers City School District – Mahoning County

Report on Accounting Methods

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.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 several checking accounts, a payroll account and one STAROhio investment account.

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

<i>Bank and Account Descriptions</i>	
Sky Bank Account	This construction checking account is used for the building of school buildings through Ohio Schools Facility Program.
First National Bank Account	This is a NOW checking account.
First Place Bank Account	This is a NOW checking account.
National City General Account	This checking account is used for the general operations of the School District.
Sky Bank (AFLAC)	Healthcare savings account with a \$10,000 minimum balance.
Sky Bank (Athletic)	Athletic petty cash account with a \$10,000 minimum balance.
Home Savings Account	This is a NOW checking account.
STAROhio Bank Account	This is an investment account of the School District
Sky Bank Account	This construction sweep account is used for the building of school buildings through Ohio Schools Facility Program.
National City Payroll Account	This checking account is used for payroll distribution.
Sky Bank Account	This checking account is used for student activities.

STAROhio receives wire transfers for the Struthers City School District. The National City general checking account receives daily deposits from the School District. Transfers are made, when necessary, from the STAROhio account into the National City general checking account. Checks are written against this account for the daily operation of the School District.

Struthers City School District – Mahoning County

Report on Accounting Methods

Cash Management and Investing

(Continued)

The Board has adopted a policy authorizing petty cash funds and change funds. The petty cash fund has been established for the reimbursement of small purchases made by the School District officials and athletic workers. The change funds have been established for ticket sales, for cafeteria registers and for fund raising activities. The Board authorizes establishment of cash funds in the care of custodians as stated in their annual change funds resolution. These monies appear on the monthly bank reconciliations as reconciling items.

When the monthly reconciliations are completed by the Accounts Receivable Clerk, they are reviewed and presented to the Board of Education by the Treasurer. The monthly reconciliations are filed in the Treasurers' office. The Treasurer reviews the account coding and verifies the receipt postings to the bank statements as part of the monthly bank reconciliation process. Since the School District prepares a separate receipt which has a corresponding pay-in for all bank deposits, there exists a one-to-one match on the bank statement for verification. The cancelled checks are placed in a box in numeric storage and filed in the administrative vault in the administration building. Any discrepancies are noted on the bank statement and the monthly receipt report is corrected and posted upon completion of the reconciliation process. Payroll transfers are verified to the transfers listed on the bank statements and interest is posted in the following month to the general fund, the permanent improvement fund, special trust fund and auxiliary service funds.

Voided checks have void written on them by the account clerk and void stamped over the signature line. These checks are then given to the Treasurer for review. The voided checks are filed in numeric order and stored in the vault located in the Board of Education office.

The investment policy addresses authorized investments and liquidity. The purpose of the investments is to maximize the returns on the School District's excess cash balances consistent with the safety of those monies and with the desired liquidity of the investments. The Board has given the Treasurer authority to make investments from the funds of the School District in securities authorized by State Law. The Treasurer may invest up to a maximum of twenty-five percent of the School District's interim funds in commercial paper or bankers' acceptances. Investments must mature within five years, unless they are matched to a specific obligation or debt of the School District. The only investment that the School District holds is the STAROhio account and the general fund receives the interest.

The Treasurer reports to the Board monthly with details of each investment showing the face amount, yield, purchase date, maturity date, and current market value if available.

The Treasurer, acting in accordance with the law, may withdraw funds from approved public depositories or sell negotiable instruments prior to maturity.

Struthers City School District – Mahoning County

Report on Accounting Methods

Cash Management and Investing

(Continued)

Auditor of State Comments

- The investment policy reflects the guidelines the School District follows when making investments. These guidelines include the type and length of investments allowed as well as who has been designated by the School District to make investments and compliance issues with Ohio Revised Code. The investment policy, however, does not address the allocation of interest. It should be updated to do so.
- The School District has an investment policy that is not signed and dated by the Board, Treasurer or entities conducting investment business with the Treasurer or the Board. The investment policy should be signed and dated by the Board, the Treasurer and entities conducting investment business with the Treasurer or the Board as prescribed in Section 135.14 (O)(1).
- The Treasurer reviews and verifies all bank reconciliations. He should initial and date the monthly bank reconciliations to indicate when it was reviewed.
- The School District uses the same person to receive and post receipts, process payroll, process invoices and checks, has access to the check signer and reconciles the bank accounts. The School District should segregate the functions of this person or develop compensating controls to detect errors timely.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 there from, 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 a Form 4502 Annual Financial Report, for the Ohio Department of Education. The report is generated by the accounting 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 Financial Reporting Process

The School District prepares an annual financial report in accordance with generally accepted accounting principles (GAAP). The School District did not file their 2004 annual financial report within 150 days of fiscal year end as required by the State Auditors' office. The School District publishes in the local paper each year an announcement that their financial statements have been filed and are available in the Treasurer's Office. The Treasurer supplies each Board member with a copy of the report.

The School District uses Uniform School Accounting Software through ACCESS, the School District's Data Acquisition Site. The software provides the School District with the ability to generate and print multiple standard and customized month-and year-to-date reports. The School District prepares month-and year-to-date reports to use as an audit trail, places them in binders, and stores them in file cabinets in the Treasurer's office. Throughout the year, various payroll reports are printed and filed in the Treasurer's office. The School District accounts for its daily operations on a cash basis for accounting. The unaudited, Cash Basis Annual Financial Report (4502) is completed during the month of July and is submitted to the State Department of Education electronically through the School District's Data Acquisition Site, ACCESS.

Struthers City School District – Mahoning County

Report on Accounting Methods

Financial Reporting

(Continued)

The Treasurer provides the Superintendent and the Board with a monthly financial report that includes receipts, expenditures, appropriations, investments, and cash balances for all funds. The Treasurer also includes a Financial Briefs report that provides written detail and graphs for the financial statements in the monthly financial report. Other financial reports are provided based on a request of the Board members.

Auditor of State Comments

- The School District filed their 2004 annual report on January 31, 2005. This report should be filed within 150 days as required by State Statute.

Struthers City School District – Mahoning County

Report on Accounting Methods

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 should 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 to it.

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

Section 122.22, Revised Code, requires the minutes of a regular or special meeting of any public body shall be promptly prepared, filed, and maintained and shall be open to public inspection. Further, the Ohio Supreme Court had 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's 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) if the section.

Auditor of State Comments

- The Board minutes are not always signed by the Treasurer and President of the Board when approved at each meeting. 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 School District should include attachments to resolutions in the book for the Resolutions.
- The School District does not maintain an index of resolutions to help facilitate the location of resolutions by general topic.
- 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. Minutes do not reflect discussions of each report, document or handout provided or discussed.

Struthers City School District – Mahoning County

Report on Accounting Methods

Conclusion

The methods described and included in this report are based on our inquiries and discussions with the School District personnel and the related procedures documented from the School District's Policy and Procedures Manual, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

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



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**STRUTHERS CITY SCHOOL DISTRICT
MAHONING 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
JUNE 2, 2006**