



Mary Taylor, CPA
Auditor of State

**Springfield Local School District
Summit County, Ohio**

Report on Accounting Methods

Local Government Services Section

**Springfield Local School District, Summit County
Report on Accounting Methods**

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CERTIFICATION

On May 16, 2007, the Springfield Local School District was declared to be in fiscal emergency. Section 3316.10(A), Revised Code, requires that after the declaration of the existence of a fiscal emergency, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports. This report shall indicate whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

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Springfield Local School District – Summit County

Financial Accounting Report

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 Springfield Local School District, and (2) whether the current accounting system is in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

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

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

Springfield Local School District – Summit County

Financial Accounting Report

Governance Overview

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

On May 16, 2007, the School District was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. Commission membership is as follows:

1. The director of budget and management or a designee;
2. The superintendent of public instruction or a designee;
3. A resident of the School District with knowledge and experience in financial matters and whose principal place of professional or business activity is situated within the School District, appointed by the County Fiscal Officer;
4. A resident of the School District with knowledge and experience in financial matters and whose principal place of professional or business activity is situated within the School District, appointed by the Governor; and
5. A parent with a child enrolled in the School District appointed by the State superintendent of public instruction.

The Financial Planning and Supervision Commission, under Ohio Revised Code Sections 3316.06 and 3316.07, is given the authority to assume complete managerial control of the Springfield Local School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Commission is to specify the level of fiscal and management control that the Commission will exercise within the School District during the period of fiscal emergency and enumerate respectively, the powers and duties of the Commission and the duties of the School Board during that period.

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

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

Springfield Local School District – Summit County

Financial Accounting Report

Governance Overview

(continued)

The Commission has defined the level of fiscal management and control that the Commission will exercise within the School District during the period of fiscal emergency as required under Section 3316.06(A)(2) of the Ohio Revised Code. The complete role of the Commission has been addressed in the financial recovery plan adopted on August 23, 2007, and includes the power to approve contracts entered into by the Springfield Local School District for personal services and employment contracts for all positions other than temporary positions and all purchases in excess of \$10,000.

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

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

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

Springfield Local School District – Summit County

Financial Accounting Report

Budgetary Process

Description of an Effective Budgetary System

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

Statutory Requirements

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

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

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

Appropriations: Upon receipt from the county fiscal officer 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.

Springfield Local School District – Summit County

Financial Accounting Report

Budgetary Process

(Continued)

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

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

Certification of Adequate Revenue: Certification of adequate revenues involves two types of certifications. Certification of routine items under Section 5705.41, Revised Code, is addressed in the Purchasing Process section of this report. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the School District's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the Treasurer, Superintendent, and President of the Board. If the School District is in a state of fiscal emergency, the certificate shall be signed by a member of the School District's Financial Planning and Supervision Commission who is designated by the Commission for this purpose. The certificate is to be attached to any qualifying contract.

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

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

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

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Budgetary Process

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

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

Responsibility for the preparation of the forecast, the accuracy of the presented figures and the reasonableness of the assumptions on which they are based rests with the School District Administration and the Board. The automatic retrieval of historical data 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 Summit 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 alternative tax budget information which includes the following forms: Division of Taxes Levied, Statement of Fund Activity, Unvoted General Obligation Debt, Voted Debt Outside 10 Mill Limit and Tax Anticipation Note Schedule. This information is filed with the Summit County Budget Commission no later than January 20. The Budget Commission determines the amount of millage and calculates the estimates for revenue generated by levies.

Springfield Local School District – Summit County

Financial Accounting Report

Budgetary Process

(Continued)

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the Summit County Budget Commission and receives the Commission's official certificate of estimated resources. The official certificate of estimated resources as generated by the Summit County Budget Commission reflects data presented in the Statement of Fund Activity. The Treasurer revises the annual budget so the total contemplated expenditures from each fund during the ensuing fiscal year will not exceed the estimated resources as reflected in the original certificate of estimated resources.

After the close of the fiscal year, the Treasurer submits to the County Fiscal Officer the unencumbered cash balance of each fund and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances from the preceding year.

The Board of Education adopts a temporary appropriation measure, at the object level for the general fund and at the fund level for all other funds, prior to the start of the new fiscal year. The temporary appropriation measure is limited to 25 percent of total expenditures of the prior fiscal year. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted prior to October 1 of the fiscal year and prior to receiving the 5705.38 certification from the County Fiscal Officer indicating that no amended certificate needs to be issued. Once approved by the Board, the Treasurer submits all appropriation measures to the County Fiscal Officer and at the same time submits a request for an amended certificate of estimated resources for any new or additional revenue to be appropriated. The Treasurer also prepares and submits a 412 Certificate which certifies that the School District has sufficient revenue to support those appropriations.

All Board approved temporary and permanent appropriations are entered into the computer system after they are passed but before the School District has received the certificate from the County Fiscal Officer that appropriations from each fund do not exceed the official estimate of resources. Appropriations are entered into the computer system for all funds except those which the Treasurer has chosen not to enter for control purposes. If adjustments to the appropriations are passed, they are also entered into the system in a similar manner.

Monthly, the Treasurer reviews and compares estimated revenues and appropriations using the fund financial summary, revenue summary and budget summary reports. A request for an amended certificate is prepared if additional revenue has been received or if actual revenues will not meet the current estimate. When a new amended certificate is received, the new estimated revenue amounts from the certificate are entered to update the information in the computer system.

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. The forecast is updated and filed again by May 31. The Treasurer keeps the five-year forecast on file in his office with the documentation that was used to prepare the forecast. The School District maintains all contracts that have been certified as required by Section 5705.412, Revised Code, in the Treasurer's office.

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Financial Accounting Report

Budgetary Process

(Continued)

Prior to the end of the fiscal year, outstanding purchase orders are reviewed by the Account Clerk. During May and early June, the Account Clerk contacts the building principals to inquire if any of the outstanding purchase orders can be closed. During late June, the Account Clerk reviews purchase orders that originated from the administration office. The Special Services Director sends purchase orders from that department to the Account Clerk if they need to be closed. Any unneeded purchase orders are cancelled along with the corresponding encumbrances. 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.

Auditor of State Comments

1. The School District should update its Policy Manual to include several items in the budgetary process. The first item is the legal level of control, the level at which the Board will adopt appropriations. Appropriations must be adopted at least at the fund level for all funds. The Board, if it chooses, may require more detail such as some level of function and object or the primary object level.
2. The policy manual should address the five-year forecast requirements, the filing requirement with the Ohio Department of Education, and the circumstances under which the Board wants its forecast updated during the fiscal year. The policy manual should also define the process by which the Board will review the forecast prior to adoption by Board resolution.
3. The initial allocation and subsequent re-allocations of Board approved appropriations is at the discretion of the Treasurer. There is no control or documentation over the allocations after the initial allocations are made. The policy manual should establish the nature of the control (general fund only or all funds, function and object or all dimensions of the account code structure) and the approval process. The Treasurer should determine the documentation that will demonstrate compliance with the Board policy and establish procedures for the request and approval of the subsequent allocations.
4. The policy manual should also require the Treasurer to report to the Board as part of the monthly report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken and how further occurrences will be avoided.
5. By statute, appropriations are limited to the estimated resources in the existing amended official certificate of estimated resources. A supplemental appropriation resolution is adopted by the Board which equals an anticipated increased amended certificate of estimated resources. If new or additional revenue is anticipated and the Board desires to spend it, an amended certificate should be certified by the budget commission before supplemental appropriations are passed.
6. 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.

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Financial Accounting Report

Budgetary Process

(Continued)

7. The appropriations in the accounting system do not agree with the most current supporting documents. The Treasurer should enter all appropriations in the system and 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.
8. The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Fiscal Officer (Refer to Auditor of State Bulletin 98-012).
9. Appropriations are posted in the system prior to receiving the certificate from the County Fiscal Officer indicating that appropriations are within estimated resources. Appropriations are not effective until this certificate is received. Appropriations should be posted in the system upon receipt from the County Fiscal Officer of the certificate indicating that appropriations are within estimated resources.
10. At fiscal year end, the Treasurer submits the unencumbered cash balance of each fund to the County Fiscal Officer but does not certify the balances or include other information required by Section 5705.36, Revised Code. The School District should inquire with the County Fiscal Officer about the requirements and information that should be included and discuss with legal council what would meet the requirement to certify the balances.

Springfield Local School District – Summit County

Financial Accounting Report

Revenue Activity

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

Section 9.38, Revised Code provides a person who is a public official, employee, or agent shall deposit all public moneys received by that person with the Treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such monies received exceeds one thousand dollars. If the total amount of the public monies received does not exceed one thousand dollars, the person shall deposit the monies on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public monies until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

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

School District's Receipt Process

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

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Revenue Activity

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For monies receipted outside the Treasurer's office, a pay-in order is prepared by various School District employees including the Student Activities Clerk, school building secretaries and cafeteria staff. This pay-in order is used to input the information into the computer system to generate a system receipt. The Student Activities Clerk inputs all building receipts, except for cafeteria receipts. During the summer or other times when the Student Activities Clerk does not work, all of those job duties are performed by the Account Clerk. The Account Clerk inputs all cafeteria receipts and monies directly received by the Treasurer's office, except for State and Federal grants, foundation and property taxes, which are entered by the Treasurer. When monies are directly received by the Treasurer's office, the information is entered directly into the computer system, and a system receipt is generated. No pay-in orders are completed for monies directly received in the Treasurer's office.

Revenues received by wire transfers include State foundation monies and grants from various Federal and State agencies. Property taxes are received by check from the Summit County Fiscal Officer. Monies received by cash include from student activities, athletics events and cafeteria sales. For all receipts not directly received by the Treasurer's Office, a pay-in order must be completed by the person receiving the money and a deposit slip. The pay-in includes the amount to be deposited, the source of the money, and the account code to which the deposit should be posted. The pay-in order and deposit ticket are used to post the deposit to the School District's system which generates a system receipt.

All system receipt numbers are determined by the system automatically in the order in which the receipts were entered. All system receipts are filed by receipt number in the Treasurer's office.

All deposit tickets are two part forms (white and pink). Both copies are included with the deposit in the locked bag that is taken to the bank. The Student Activities Clerk takes all deposits, other than cafeteria receipts, to the bank. Any monies received by building secretaries are sent to the Treasurer's office. The Student Activities Clerk picks up these deposits, along with any monies directly received by the Account Clerk, before going to the bank. The following day, the empty bags are picked up by the Student Activities Clerk from the bank, along with the pink copies of the deposit tickets and the bank receipt. The pink copy of the deposit ticket is attached to the bank receipt and filed by date in the Treasurer's office. Cafeteria receipts are deposited at the bank on a daily basis by the cafeteria managers in a locked bank bag.

Receipt of State Foundation: State foundation monies are wire-transferred bi-monthly to the School District's STAROhio account from the Ohio Department of Education. The foundation settlement sheets which identify the various sources of State aid are printed from the Ohio Department of Education's web page by the Treasurer. The amount of the wire transfer is compared by the Treasurer to the amount listed on the foundation settlement sheet. Generally, foundation settlements include restricted and unrestricted receipts, tuition payments from other school districts, and various other State payments to the School District. The Treasurer waits until both semi-monthly foundation payments are received and prepares a monthly Foundation Settlement worksheet which is used for posting to the system. This worksheet details the revenue side of the foundation settlement. It also details the foundation deductions which are posted as memo expenditures within the system. Memo expenditures are posted monthly. All settlement sheets and system receipts are filed by receipt number in the Treasurer's office.

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Revenue Activity

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Receipts of Property Taxes: Property tax monies are received by check from the Summit County Fiscal Officer and the Portage County Auditor. The Treasurer identifies the account codes for the gross receipts and the deductions and writes them on the settlement sheets. The Treasurer then posts the transaction into the system which generates a system receipt. The settlement sheet and the wire-transfer remittance form are compared by the Treasurer to ensure the amounts are correct. All settlement sheets are filed in the Treasurer's office.

Receipt of Grant Monies: The School District receives Federal, State, and local revenue in the form of restricted and unrestricted grants. All Federal and State grant monies are received by wire transfer, and local grant monies are received by check. The Board authorizes the applications for all grants at the beginning of each fiscal year. For most grants the Curriculum and Instruction Director uses the Board approved application and creates a budget for the grant in the Comprehensive Continuous Improvement Planning (CCIP) system. The Treasurer reviews the FINSUM report, which is a summary of all fund activity and ending balances, monthly and when cash is needed from a particular grant the Treasurer completes a CCIP Project Cash Request electronically. Upon receipt of an email notification of the wire-transfer from the grantor, the Treasurer posts the transaction to the system and generates a system receipt. When local grant monies are received by check, the Account Clerk posts the transaction to the system which generates a system receipt and the Student Activities Clerk deposits the money at the bank.

Athletic Event Receipts: The School District requires payment for admittance at several athletic events. The Faculty Manager was given an initial check for \$700 to be used as a change fund a long time ago. The change fund is returned to the Treasurer's Office after each sports season and is then reissued for the next sports season. The change fund is kept locked in a safe in the Athletic Director's office when it is not being used. The majority of ticket sellers are adults, but student sellers are used when adults are not available or for student pre-sales that occur during the school day. Student sellers are supervised by the Faculty Manager. A Student Activity Ticket Report form is used to reconcile the cash received to the tickets sold. When a ticket is sold, a paper ticket is given to the buyer. The ticket must then be presented at the gate/door to gain entrance to the event. The ticket is given to the ticket-taker at the entrance. After all sales are completed, the ticket sellers are responsible for counting the money and filling out the Student Activity Ticket Report form. This form includes the type of event, ticket seller's name, date, ticket type (student, adult, or senior citizen), ticket starting number, ticket ending number, number of tickets sold, price of ticket, total cash, beginning cash, and reconciled deposit amount. The unsold tickets, the money and the form are given to the Faculty Manager immediately following the game. The Faculty Manager recounts the money to validate that what is reported on the form is correct compared to the number of tickets sold. If any discrepancies occur, the amount of the discrepancy is noted on the form. The unsold tickets are kept in a locked file cabinet in the athletic department office.

The Faculty Manager fills out a deposit ticket and a pay-in order and places the forms, along with the money, in a locked bank bag and locks it in the safe. The next morning, the Student Activities Clerk removes the bag and the forms from the safe and takes the deposit to the bank. For football, the locked bank bag is placed in the safe on Friday night and the Student Activities Clerk takes the deposit to the bank on Monday. For all other sports, receipts are deposited in a bank bag within twenty-four hours. A copy of the pay-in order is attached to the Student Activity Ticket Report form and filed in the Student Activities Clerk's office. The Student Activities Clerk also posts the receipts to the system and a system receipt is generated and filed in the Treasurer's office.

Springfield Local School District – Summit County

Financial Accounting Report

Revenue Activity

(continued)

Student Activity Receipts: If a student activity wants to do a fundraiser, the fundraiser must first be approved by the Superintendent. The student activity advisors must complete and submit a Sales Project Potential form for each fundraiser which details the proposed project, quantity of goods to be ordered and projected sales of the fundraiser. The project information portion of this form is submitted to the Principal and Superintendent for approval, and upon approval, the fundraiser may commence. During the fundraiser, the student activity advisors turn in any money received to the Student Activities Clerk daily, along with a completed four part pay-in order. The student activity advisors keep the blue copy of the pay-in as a record of how much money was turned in.

Upon completion of the fund raising activity, all student activity advisors are responsible for turning in the remainder of monies received along with a four part pay-in order to the Student Activities Clerk. After receiving the pay-in order, the Student Activities Clerk prepares a deposit ticket. The white and pink copies of the pay-in order are filed in the Student Activity Clerk's office; white in the individual activity's file and pink by date in a central file. A duplicate deposit ticket is used so that a copy of the deposit ticket and the pay-in order can be used for processing. The pay-in order includes the account code for posting the receipt. The Student Activities Clerk enters the pay-in into the School District's computer system generating a system receipt which is filed in the Treasurer's office. The duplicate deposit tickets are filed by date and system receipt number in the Treasurer's office. The yellow copy of the pay-in order will have a copy of the bank receipt attached and is returned to the student activity advisor.

Once the fundraiser is completed, the reconciliation part of the Sales Project Potential form detailing the amount of total sales, any goods not sold, and the amount being deposited with the Treasurer is completed by the student activity advisor and the Student Activities Clerk. To help in the completion of this form, the Student Activities Clerk generates a FINDET report from the system which shows detailed transactions for the student activity's account. The student activity advisor must sign the bottom of the Sales Project Potential form and submit it to the principal and then the Superintendent. Once the principal and Superintendent approve the form by signing it, the form and deposit ticket are submitted to the Student Activities Clerk for filing.

Receipt of Cafeteria Monies: Students pay for breakfast or lunch with cash daily or they may prepay for a weekly ticket. The ticket is purchased from the building secretary, who gives the money to the cafeteria manager. The tickets are also used for students who receive free or reduced lunches. The paper tickets include the student's name and the signature of the building principal and are laminated. The principal signs the ticket either with his initials, first and last name or full name, depending on the type of student: prepay, free or reduced. The number of meals purchased is marked on each ticket. The student gives their ticket to the cashier who crosses off one meal on the ticket, places it in the drawer and enters the transaction into the cash register as regular, free or reduced based on the signature. The cashier also has a list of free and reduced lunch students if any questions arise. At the end of the day, the tickets are sent back to the building secretary, who sorts them by homeroom. The next morning, each student can pick up their ticket during homeroom.

After breakfast is served the cashiers print a tape and reset the cash register for lunch. After lunch the cashiers print another tape and reset the register for the next day. The cashiers give the money and register tape to the cafeteria manager. At some buildings the cafeteria manager is the cashier as well. The cafeteria manager then completes the Daily Meal and Cash Reports for breakfast and lunch and attaches the register receipts to the reports. The cafeteria manager also adds the day's information to the Breakfast/Lunch Program Daily Worksheet. This form includes a breakdown of cash receipts and meals served for each day and provides a total for the month.

Springfield Local School District – Summit County

Financial Accounting Report

Revenue Activity

(continued)

The cafeteria manager counts the money and prepares a two-part deposit ticket, then takes the deposit ticket and the cash to the bank in a locked bank bag at the end of the day. The bank teller counts the cash and gives the cafeteria manager a bank receipt and the pink copy of the deposit ticket, which are attached to the Daily Meal and Cash Reports. The reports and deposit slips are sent at the end of the month to the Building Manager's Administrative Assistant, who compares the total from the bank receipts against the total on the Breakfast/Lunch Program Daily Worksheet for each school building. The Business Manager's Administrative Assistant uses the Breakfast/Lunch Program Daily Worksheets to complete Site Claim Form reports on the computer and submits them to the Ohio Department of Education for Federal and State meal subsidies. The Business Manager's Administrative Assistant also prepares a worksheet detailing receipts by school building and gives this to the Account Clerk in the Treasurer's office. The Account Clerk prepares a worksheet to assign account codes for the different types of meals served at each building and posts a receipt to the computer system for cafeteria receipts for the entire month.

Miscellaneous Receipts: Miscellaneous receipts include, but are not limited to, school fees, damaged book and property fines, facility rentals and sale of capital assets. Each student's consumable fees, book fines and other fines are determined by the student's teacher. The teacher informs the building secretary of any fees/fines owed by each student. School fees and fines for damaged books and property are received by the building secretaries at the elementary and middle schools. The building secretaries keep track of each student's outstanding balance. The building secretaries, upon receiving payment, give a handwritten receipt to the student or parent. A deposit ticket and pay-in order are prepared at the end of the each day for all money received. The building secretaries place the money and the deposit ticket in a locked bank bag, attach the pay-in order to the outside of the bag, and the Principal takes the bag to the Treasurer's office at the end of the day. The building secretaries keep the blue copy of the pay-in order for their records. At the high school, fees and fines are received at the cash register. The cash register can be operated by the Student Activities Clerk or the Athletics Secretary. Once a week during the school year, the Student Activities Clerk balances the cash register and prints out a register tape. The Student Activities Clerk then prepares a pay-in order and deposit ticket and attaches the register tape to the pay-in order.

The School District also rents their school facilities to various community groups. These groups send a check to the Treasurer's office. For all miscellaneous receipts, the Student Activities Clerk takes the locked bank bags to the bank at the end of the day. The following morning, the Student Activities Clerk picks up the bank bags and deposit ticket copies from the bank. The deposit is posted to the system by the Student Activities Clerk. The system receipt and deposit ticket copies are filed separately by receipt number in the Treasurer's office.

Any capital asset valued at \$10,000 or more that the School District wants to sell is brought before the Board for approval before it sold. Once the Board has approved the sale of a capital asset and the sale has taken place, the money is received by the Treasurer's office, usually in check form. The Account Clerk prepares a deposit ticket and takes the money to the bank.

Auditor of State Comments

1. A policy should be implemented to ensure that discrepancies from ticket sales would be dealt with in an effective manner. All discrepancies should be dealt with and rectified as specified by this policy.
2. Cafeteria receipts are posted in a monthly lump sum amount one month in arrears. Cafeteria receipts should be posted on a more timely basis.

Springfield Local School District – Summit County

Financial Accounting Report

Revenue Activity

(continued)

3. In some School buildings the cafeteria manager is also the cashier. The position is responsible for collecting the money and completing the Daily Meals and Cash Reports. The School District should segregate the functions of this person or develop compensating controls to detect errors timely. In addition, the cashiers should reconcile collections to the register tapes and the reconciliations should be reviewed by the cafeteria manager.
4. The School District should update its policy for depositing monies. The current policy states that all monies are to be turned into the Treasurer before the end of the day. The new policy should allow cash register monies to be turned in and deposited on a weekly basis or only when total monies exceed a specified dollar amount.

Springfield Local School District – Summit County

Financial Accounting Report

Purchasing Process

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

Springfield Local School District – Summit County

Financial Accounting Report

Purchasing Process

(continued)

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

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

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

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

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

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

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

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

Springfield Local School District – Summit County

Financial Accounting Report

Purchasing Process

(continued)

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

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

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

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

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

Springfield Local School District – Summit County

Financial Accounting Report

Purchasing Process

(continued)

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 given to the Business Manager to make the necessary arrangements for public bidding. At the bid opening, the Business Manager receives and records all bids. The Business Manager discusses the information with the Superintendent and they review the information and make a recommendation to the Board. The Board, by resolution, awards the contract. When major contracts exist, the Treasurer prepares a 412 Certificate which certifies that the School District has sufficient revenue to support those contracts. When feasible, purchases or contracts under \$25,000 that are purchased through the Business Manager’s office are based on price quotations submitted by at least three vendors.

When goods or services are required at a school building an employee completes a manual requisition form. The manual requisition includes the originator, vendor, date of request, type and quantity of items requested, price, and account to be paid from. This form is submitted to the building principal who approves the requisition by signing it. The form is then given to the building secretary who enters the requisition in the School District’s computer system. Next, the manual requisition form is sent to the Account Clerk in the Treasurer’s office. The Account Clerk compares the manual requisition form to what was entered in the system and makes any necessary corrections. The Account Clerk does not verify that the appropriations are available to cover the amount of the expenditure prior to approval. When a manual requisition is used, the system requisition is not printed out. For certain employees of the School District, a manual requisition form is not used because they have access to complete a requisition form using the School District’s computer system. These employees include the Treasurer and the Treasurer’s staff, the Business Manager’s Administrative Assistant, the Technology Director, the Curriculum and Instruction Director, the EMIS Coordinator and building secretaries. Once a system requisition is entered, it is printed out and approved by the building principal or administrator. The computer system will not allow a requisition to be processed for an amount which exceeds the appropriations for that account. If this occurs, an increase of appropriations is submitted to the Board for approval. If appropriations are available in another account code in the same fund, the Account Clerk notifies the Treasurer of the need to reallocate appropriations between accounts and enters an adjustment to the system.

School District employees may request the use of a new vendor. The employee calls the Account Clerk with the name and phone number of the new vendor. The Account Clerk verifies that new vendors have no outstanding, unpaid findings for recovery issued by the Auditor of State. The verification is completed by performing a search on the Auditor of State’s web site for unresolved findings for recovery. The documentation from the Auditor of State website is not printed and kept for verification that the vendor was checked as per Board policy. If the vendor appears in the unresolved findings for recovery database, the vendor is not added to the vendor list. If no findings exist, a vendor number is assigned and the new vendor’s information is added to the computer system. The Account Clerk phones the vendor to obtain the information, which includes contact and IRS Form W9 information. The IRS Form W9 information is recorded by the Account Clerk and kept on file in the Treasurer’s office.

Springfield Local School District – Summit County

Financial Accounting Report

Purchasing Process

(continued)

The approved requisitions are given to the Account Clerk who creates the purchase order in the system by accessing the system requisition and entering a purchase order number. The posting automatically records an encumbrance in the system. The purchase order is printed out with the electronic signatures of both the Superintendent and the Treasurer. The Account Clerk then circulates a list of the purchase orders to the Superintendent and Treasurer. The list includes vendor information, number of units to be purchased, price per unit, total purchase order amount, and the account code to be charged. The Superintendent and the Treasurer must then sign the list to show their approval of the prepared purchase orders. Purchase orders are used for all purchases and contracts of the School District.

The purchase order is a four-part form with white, yellow, green and blue copies and is distributed by the Account Clerk in the following manner:

1. The white (original) copy of the purchase order is either mailed, faxed or hand delivered to the vendor.
2. The yellow copy of the purchase order is attached to the requisition and is filed in the Treasurer's office.
3. The green copy of the purchase order is filed numerically in the Treasurer's office.
4. The blue copy of the purchase order is also sent to the building that the requisition originated from and is kept on file for their records.

The School District purchases certain goods and services with blanket purchase orders as needed. The Treasurer limits blanket purchase orders to 90 days and \$5,000. "Super" blanket purchase orders are currently used for utilities.

"Then and Now" purchase orders are used when a purchase was made without prior authorization. When this occurs, the Account Clerk stamps the purchase order "Then and Now." The Account Clerk gives the stamped purchase order to the Treasurer for approval. The Treasurer only approves the use of a "Then and Now" purchase orders if the purchase is necessary and appropriations are available. If not, the amount is not approved and the employee who made the purchase is responsible for payment. "Then and Now" purchase orders in excess of \$3,000 must be approved by the Board.

Outstanding purchase orders are reviewed at the end of the school year by the Account Clerk. During May and early June, the Account Clerk phones the building principals to inquire if any of the outstanding purchase orders can be closed. During late June, the Account Clerk reviews purchase orders that originated from the administration office. Any unneeded purchase orders are cancelled along with the corresponding encumbrances. The quarterly blanket purchase orders are closed once the last payment for that quarter is made.

Auditor of State Comments

1. The School District does not maintain a printed copy of the results of the search of the Auditor of State's Finding for Recovery website. In addition, the search is only done when new vendors are added to the vendor list. The School District should print a copy of the search as proof of the check for unresolved findings for recovery. The School District should also perform the search when a purchase is authorized that involves formal competitive contracting procedures.

Springfield Local School District – Summit County

Financial Accounting Report

Purchasing Process

(continued)

2. The School District's Board Policies do not include a policy on the use of quotes from vendors. The School District should update the Board Policies for the use of quotes from vendors.
3. 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.
4. The Account Clerk obtains new vendor information but does not have potential vendors complete a IRS Form W9. IRS Form W9 or a suitable substitute for the form should be completed and signed by new vendors and kept on file in the Treasurer's office.
5. The account clerk has the ability and discretion to increase and decrease the appropriations allocated to the accounts within a fund when insufficient appropriations prevent a requisition from being processed. The account clerk notifies the treasurer of the changes that were made to the appropriation accounts. The account clerk should not decide how appropriations are adjusted to accommodate the processing of requisitions and the issuance of purchase orders. This decision should be made by the treasurer and posted by someone independent of the purchasing and accounts payable functions.

Springfield Local School District – Summit County

Financial Accounting Report

Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

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

Statutory Requirements

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

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

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

Section 3313.18, Revised Code, states that "...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."

Springfield Local School District – Summit County

Financial Accounting Report

Cash Disbursements

(continued)

Administrative Code Requirements

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

School District’s Cash Disbursement Process

The Treasurer’s office has the responsibility to ensure that goods and services are received prior to payment. The majority of invoices are received directly by the Account Clerk at the Treasurer’s office; however, occasionally some invoices will arrive at the school buildings where the building employee will then verify the goods received by comparing them to the goods listed on the invoice and the packing slip. When the Account Clerk receives the invoice, she will send it to the building that requested the goods to get verification that all goods have been received. Goods are received by the various buildings. The building employee receiving the goods first matches the goods received to the packing slip and the invoice. Once the goods or services have been verified as received at the various buildings, the packing slip is retained for the building employee’s records and the invoice is marked “OK to Pay”, signed and dated by the employee who received the goods. The invoice is then sent back to the Account Clerk. The Account Clerk verifies that the invoice has been signed and dated by the building employee who received the goods. The Account Clerk also compares the items, quantities, unit price and total price on the purchase order to the invoice to ensure that the amounts for that order are correct. If an invoice is wrong, the Account Clerk investigates why there is a difference and contacts the vendor to notify the vendor of the error. The error is then resolved accordingly. If an employee has purchased and received goods prior to a purchase order being completed a “Then and Now” purchase order is used. The Account Clerk uses the invoice marked “OK to Pay” to enter the “Then and Now” purchase order information in the system.

In the majority of instances, if the order has not been received in full, then payment is not made until the entire order is received. In this case, the invoice is attached to the purchase order and held by the Account Clerk. Once the remainder of the order is received, the payment is processed. In a very small number of instances, a partial payment will be made if all the goods are not received at the same time. If delaying payment would cause a late charge a partial payment is made. If the invoice amount exceeds the purchase order amount by 10 percent or more, an additional purchase order will be issued by the Account Clerk and approved by the Superintendent and the Treasurer before any payment is made; however, if the invoice amount exceeds the purchase order by less than 10 percent, the invoice is paid in full and the existing purchase order is marked complete.

The Account Clerk enters the vendor, account code, invoice number, purchase order number, and invoice amount into the system. The Account Clerk then prints out an “Outstanding Invoices – Vendor Number Sequence” report and compares the individual invoices to the amounts on the report. The “Outstanding Invoices – Vendor Number Sequence” report is given to the Treasurer, who signs the report to demonstrate approval before the checks are printed.

Springfield Local School District – Summit County

Financial Accounting Report

Cash Disbursements

(continued)

Invoices are processed and checks are printed once a week. The Account Clerk prints the checks from the system. All checks are signed electronically by the printer. The electronic check signer is activated by entering a security code at the printer. The Treasurer, Account Clerk, Payroll Clerk and the Student Activities Clerk have access to the security code. The Account Clerk then mails the check along with the remittance form and assembles the voucher packets.

At the end of the month, the Account Clerk runs a CHEKPY report which lists the check number, check date, vendor, vendor number, and the check amount. This report is kept and filed with the Account Clerk in the Treasurer's office.

Checks are a two-part form which are distributed in the following manner:

1. The original copy of the check is sent to the vendor along with the remittance form.
2. The white copy of the check is included in the voucher packet and filed in the Treasurer's Office.

The voucher packet includes the white copy of the check, the invoice, the yellow copy of the purchase order and the requisition form. All voucher packets are kept in a filing cabinet in the Treasurer's office and filed numerically by check number.

At each Board meeting, the Board is given a copy of the CHEKPY report for the previous month to approve.

If a check is voided, the check is stamped "VOID". The voided checks are filed in numerical order in a filing cabinet in the Treasurer's Office. The Account Clerk will also mark that a check was voided on the voucher packet.

Auditor of State Comments

1. The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received, for when an invoice exceeds the purchase order/fiscal officer certification of funds, and for the use of "Then and Now" certifications. The document should be kept on file in the Treasurers' office.
2. The Treasurer does not review any checks after they are printed and electronically signed. The Treasurer should review the printed checks to ensure that the checks are complete and to ensure that the amounts have not been changed.

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

Description of an Effective Method of Payroll Processing

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

Statutory Requirements: The following State statutes apply:

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

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

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

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

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

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The classified employees of the Springfield Local School District are represented by the Ohio Association of Public Employees Local #179 and Local #530. 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.

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

(continued)

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

School District's Payroll Processing Procedures

The School District's pay period for all employees begins on Sunday and ends on Saturday, fourteen days later. Employees are paid on Friday, thirteen days after the pay period ending date. Payroll is processed on a bi-weekly basis for approximately 450 full and part-time employees. All certified employees are paid their annual contract amount over twenty-six bi-weekly pay periods except for Edwin Shaw tutors and home instruction which are paid on an hourly basis, using a timesheet to record hours worked.

In addition to their bi-weekly pay, employees may receive an additional check for certain supplemental contracts, extra pays or stipends. 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.

Access to the payroll system is password protected. The Treasurer has given authority to NEOnet, the School District's A-site, to grant access and supply a password. The Treasurer, the Account Clerk and the Payroll Clerk are the only ones with access, all of which have full access.

Payroll checks are kept in a locked cabinet near the Payroll Clerk's desk. Access to the cabinet is limited to three employees in the Treasurer's office and the cabinet remains locked at all times. The electronic check signer is activated by entering a security code at the printer. The Treasurer, Account Clerk, Payroll Clerk and the Student Activities Clerk have access to the security code.

All certified employment applications are received and kept on file by the Superintendent's Secretary. All classified applications are received by the Business Manager and kept on file with the Benefits/EMIS Clerk in the Treasurer's office. Recommendations for employment are made to the Board of Education by the Superintendent and are recorded in the minutes by the Treasurer. Once employed, copies of all employee records, such as transcripts, licenses, and evaluations, are kept in the Superintendent's office.

All classified employees are paid their annual contract amount over twenty-six bi-weekly pay periods or an hourly rate times the hours worked in a two week period. A timecard is punched each pay period by the cafeteria workers, custodians, teaching assistants and educational assistants to document the days and hours worked. A timesheet is completed each pay period by the transportation staff to document hours worked. The timecard or timesheet are submitted to the employee's supervisor. The employee's supervisor approves the timecard or timesheet and forwards it to the Payroll Clerk. The Payroll Clerk reviews the timecards or timesheets and re-computes the hours worked and compares any leave time to a completed and approved absence form. The Payroll Clerk resolves any discrepancies found on the timecard or timesheet with the supervisor and the employee prior to processing.

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

(continued)

Overtime and extra-time earned by classified employees is paid in the pay period following the pay period in which it was earned for all employees. Overtime is paid at a rate of one and a half times the regular rate and extra-time is paid at the employee's regular rate. The overtime and extra-time is recorded on the same timecards and timesheets used to record regular hours worked. The Payroll Clerk calculates the overtime and extra-time and enters it into the payroll system.

Payroll deductions for STRS and SERS are processed through the payroll system, completed and filed by the due dates. The Board share of retirement is deducted from the State Foundation. The Treasurer posts a memo check for the Board share. Bi-weekly, the Payroll Clerk completes the STRS Employer Cash Receipt Remittance Form and submits it electronically to STRS along with payment of the employee withholdings for that pay period. SERS employee contributions are paid monthly. Each month, the Payroll Clerk completes the SERS Cash Deposit Report and submits it electronically to SERS along with payment of the employee withholdings.

Administrators: Administrative employee contracts are prepared by the Benefits/EMIS Clerk based upon contract provisions approved by the Board of Education. The contract provisions establish the annual salary pay, annual vacation days, and job duties and expectations for each employee. In addition, the contract provisions state that the Board will provide the employee with a \$50,000 term life insurance policy and all other benefits at least equal to those provided for certified staff. The contracts are reviewed and approved by the Board of Education. Contracts for the Superintendent and Principals typically run from August through July. 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 with the Payroll Clerk.

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Springfield Local School District and the Springfield Local Association of Classroom Teachers. The present negotiated agreement covers the period of August 21, 2007 through August 20, 2008. The negotiated agreement established salary schedules that reflect annual pay rates based upon years of experience and education. In addition, the negotiated agreement identifies the annual amount of personal leave and sick leave accrual amount. Certified employees do not earn vacation.

Individual teacher contracts are prepared for certified teaching staff by the Benefits/EMIS Clerk. Prior to the preparation of the contracts, the Superintendent's Secretary verifies that the teacher has a valid teaching license. The licenses are kept on file in the Superintendent's office. Certified employees are given a limited one-year contract every year before they have the education and experience required to receive a continuing contract from the School District. Upon meeting the educational and experience requirements, certified employees are given a continuing contract which is in effect until the School District or employee terminates the employment. After an employee has entered into a continuing contract, only a salary notification letter is mailed to the employee in each year.

The teachers' contracts and salary notices are normally mailed in April or May prior to the end of the school year. The contract states that the employee will receive pay according to the salary schedule per the negotiated agreement. The contracts are effective for the school year or years stated in the contract. Before any contracts are mailed out, they are approved by the Board and signed by both the Treasurer and the Board President.

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

(continued)

From the individual teacher contracts, the Benefits/EMIS Clerk prepares a spreadsheet listing each employee and their contract amounts. The Benefits/EMIS Clerk uses this spreadsheet to enter the contract amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays. The contracts are kept on file with the Payroll Clerk.

The Benefits/EMIS Clerk is responsible for preparing 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. The Board of Education approves the supplemental contracts before they are mailed to employees. All supplemental contracts for non-sports programs are paid over twenty-six pays, unless the supplemental activity begins after the commencement of the regular employee's main contract, in which case it will be paid over the remaining number of pays in the main contract. Any supplemental contracts for sports activities are paid in either one lump sum after the contracted duties are completed or in two equal payments at the beginning and the end of the sports season at request of the employee.

Classified Employees: The classified employees' salaries and benefits for custodians, cafeteria workers, educational assistants and clerical employees are governed by a contract negotiated between the Springfield Local School District and the Ohio Association of Public Employees Local #179. The present contract covers the period from July 1, 2005 through June 30, 2010. The classified employees' salaries and benefits for transportation staff including bus drivers, bus monitors and mechanics are governed by a contract negotiated between the Springfield Local School District and the Ohio Association of Public Employees Local #530. The present contract covers the period from August 1, 2005 through July 31, 2010. The two contracts set forth hourly rates for classified positions. The contracts set forth the sick leave accrual amount and the amount of vacation and personal leave. In addition, the contract defines overtime for each position and the rate of compensation for overtime. Employees are considered full time if they work forty or more hours per week. Classified employees do not receive individual contracts but instead receive a salary notice each year.

Salary notices are prepared for classified staff by the Benefits/EMIS Clerk. The salary notices are normally mailed in April or May prior to the end of the school year. The salary notices establish the hourly or annual rate of pay for each employee. The pay amounts are taken from the salary schedules per the negotiated contract. Before any salary notices are mailed out, they are approved by the Board and signed by the Treasurer.

From the individual salary notices, the Benefits/EMIS Clerk prepares a spreadsheet listing each employee and their contract amounts. The Benefits/EMIS Clerk uses this spreadsheet to enter the contract amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays. The salary notices are kept on file with the Payroll Clerk. The contracts are reviewed and approved by the Board of Education. Contracts for classified staff typically run for twelve months from July 1 to June 30 of the subsequent year or from August 1 to July 31 of the subsequent year and are paid over twenty-six pays.

Leave: Vacation is credited to each employee monthly while personal leave is credited annually as indicated in the respective certified and classified negotiated agreements or in each administrator's contract. Although established by negotiated agreements, all employees currently receive the same amount of sick leave which is accrued monthly at the rate of 1.25 days for each calendar month. Vacation, personal, and sick leave usage is posted in the payroll system by the Payroll Clerk according to the amount of time on leave forms. The system updates the balances automatically.

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

(continued)

Employee leave forms must be completed for an employee to use vacation, professional, sick or personal leave. Other forms of leave available to employees are jury duty, military leave, adoption leave, and assault leave. The type of leave desired, the hours to be used and the date is completed on a yellow absence report form which is submitted to the employee's immediate supervisor. The supervisor, department head or principal approves leave requests prior to the employee taking the leave, or if the leave is unplanned, the supervisor or principal will approve the leave upon the employee's return. Employees are also required to fill out an additional leave form if they are taking professional leave or emergency personal leave.

An educational assistant is assigned the job of calling substitutes when they are needed. Each pay period, the building secretary will fill out a pink sheet listing the names and dates of employees taking leave and the names of the substitutes. Substitute teachers are paid a daily rate and are used as needed. The building secretaries write the name of the substitute and the amount of time worked on a pink substitute sheet. The pink substitute sheet is approved by the building principal and sent to the Payroll Clerk for processing. The Payroll Clerk matches the pink sheet to the absence report forms she has received. The Payroll Clerk then uses the pink sheet to fill out a white substitute timesheet that calculates the substitute's pay by multiplying the number of days worked by the daily rate. The white substitute timesheet is used to enter the information into the payroll system. The Payroll Clerk also prepares a substitute log spreadsheet which lists all substitutes for the year and the amount they received each pay period. This spreadsheet is updated each pay period. The Payroll Clerk prepares this log spreadsheet so she has a summarized record of the days worked by substitutes and the amount each substitute should have been paid that she can refer to if any questions arise.

The Payroll Clerk is responsible for keeping vacation, sick, personal and other leave records for both certified and classified employees. A benefit balance report is run once a month usually following the second pay of the month and lists the outstanding balances for all leave types by employee. The balances can also be viewed on the computer by the Payroll Clerk. The approved leave sheets are kept and used to verify balances in the event that an employee questions leave information as reflected on their earnings statements.

Leave without pay is used if no other type of leave is available or able to be used and an absence report form is completed. The absence report form is signed by the employee's supervisor and is sent to the Payroll Clerk. Any long-term leave requests must also be approved by the Board. The Benefits/EMIS Clerk calculates the amount to be adjusted on the employee's original contract and it is then entered into the payroll system. The system subtracts the amount from the bi-weekly contract amount for the pay period or periods in which the leave is taken.

Other Employees: Board members are paid at a rate of \$125 per meeting. The Treasurer fills out and signs a Board Member Timesheet for each board member based on his or her attendance at the board meeting. The Treasurer then gives the Board Member Timesheets to the Payroll Clerk who enters payroll for the board members. The timesheet is usually filled out by the Treasurer after every meeting. The Payroll Clerk prepares a check for each board member the next payroll following the board meeting.

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

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

(continued)

Other Employee Benefits: The School District's self-insured health care program includes medical, prescription, vision and dental care to all full time employees provided through Medical Mutual. Health care costs are based on the estimated claims and administrative charges for the School District's self-insured health care program. All certified staff is required to pay 5 percent of the monthly premium for single and family coverage. All classified staff under the OAPSE Local #179 contract are required to pay either 5 percent or 50 percent of the monthly premium based on number of hours worked. Classified employees under the OAPSE Local #530 contract are required to pay 5 percent, 25 percent or 33 percent of the monthly premium based on number of hours worked. Life insurance benefits are provided through Fort Dearborn Life Insurance Company.

Payroll deductions for medical, prescription, dental and life insurance benefits are processed through the payroll system and then used as part of the payment. The Benefits/EMIS Clerk is responsible for the preparation of the documentation for the payments of medical, prescription, dental and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Payroll Clerk and the Benefits/EMIS Clerk.

Payroll Preparation: The Payroll Clerk has a checklist for running the payroll program. The checklist names the reports that need to be run and lists the steps to be taken to process payroll. The Payroll Clerk also prepares a green Payroll Summary Sheet for each pay period in which she calculates total certified and classified salaries as well as employee retirement payroll deductions. She uses this Payroll Summary Sheet to check various payroll reports.

All payroll information must be received by the Monday following the end of the pay period. Once all payroll information is entered into the system by the Payroll Clerk on Monday and Tuesday, a contract report is run. The contract report lists each employee, annual number of pays, number of pays remaining and the amount of pay per period. Next, a bi-weekly report called INICAL is run. The INICAL lists the total regular employee bi-weekly payroll prior to exceptions (stipends, certain supplementals, miscellaneous pays, etc.) The total from the INICAL report is matched to the salaries total on the green Payroll Summary Sheet prepared by the Payroll Clerk.

The next payroll report generated is a distribution proof listing called PAYSUM which identifies out the gross payroll by individual employee. The Payroll Clerk compares totals from the PAYSUM to the green Payroll Summary Sheet.

Next, the Payroll Clerk runs the CALCPAY program which generates three reports, the DEDTOT, the CALCERR, and the BUDDET. The DEDTOT lists all payroll deductions including STRS and SERS deductions. The STRS and SERS employee deduction totals are matched to the totals calculated on the green Payroll Summary Sheet. The CALCERR lists items that are unusual and may need further attention. The Payroll Clerk reviews this report and corrects any errors. The BUDDET identifies the gross payroll by individual employee and budget account. The BUDDET report total is also matched to the salaries total from the green Payroll Summary Sheet. The Treasurer reviews the BUDDET to check that employees are under the correct account numbers.

Springfield Local School District – Summit County

Financial Accounting Report

Payroll Processing

(continued)

The Payroll Clerk runs the CHKPRRT program to create and print the payroll checks. Direct deposits are submitted electronically to the bank by Tuesday. The Payroll Clerk also faxes a confirmation sheet that shows the number of direct deposit items and the total dollar amount of direct deposits to the bank. The Payroll Clerk gets the total dollar amount of direct deposits by running a PAYDIR which shows total direct deposits for the payroll. The bank sends the confirmation sheet back to the Payroll Clerk on Wednesday confirming that the electronic transmission was accepted. Money is transferred from the general checking account into the payroll account by the Treasurer.

Direct deposit is mandatory for all classified employees under the OAPSE #179 contract. Certified employees as well as the transportation staff have a choice between direct deposit and paper checks. Paper checks are also used when an employee is new or changes bank account numbers. These paper checks are signed at the time of printing with a dual check signer and printer.

Employees receive a pay stub on the day the pay is direct deposited. The pay stubs are sent to the building secretaries for distribution to the employees. If the employee is not working on payday, the pay stub is mailed to the employee's home address.

Payroll checks and direct deposits are posted to the payroll system by running the CHKUPD program. The CHKUPD program also generates a report called the BUDDIS. The BUDDIS summarizes the amount ran for payroll and is signed at the bottom by the Superintendent and the Treasurer. The Treasurer reviews the BUDDIS for reasonableness by comparing the amount on the report to prior payrolls. Appropriate deduction checks are printed and posted to the system by running the DEDRPT and PAYDED. These items automatically post to the appropriation/expense ledger when posted to the payroll ledger.

The AUTOPOST program automatically posts the payroll information to all of the appropriate accounts and files within the payroll system and the budgetary system.

Internal Revenue Service W-2 forms are processed after the last payroll for the calendar year. W-2 forms are distributed to all employees usually by the end of December or early January. All W-2 information is submitted electronically to the IRS through the School District's A-site, NEOnet.

Auditor of State Comments

1. Upon employment with the School District, classified employees receive a copy of the negotiated agreement between the School District and the bargaining unit the employee will be a member of. Section 3319.081, Ohio Revised Code, requires newly hired regular nonteaching school employees enter into written contracts for their employment which shall be for a period of not more than one year. The Superintendent should review the negotiated agreements between the Board of Education and OAPSE/AFSCME-AFL-CIO Local #179 and Local #150 with legal council to determine the appropriate procedures to comply with Section 3319.081.

Springfield Local School District – Summit County

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

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

Statutory Requirements

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

School District's Debt

The amount of the School District's outstanding debt at June 30, 2008 was \$1,579,608 and consists of the following:

	Interest Rate	Principal Outstanding 6/30/2007
<u>Note:</u>		
Energy Conservation Note	5.91%	\$558,292
<u>Loan:</u>		
State of Ohio Solvency Assistance Advance	0.00%	956,000
<u>Capital Lease:</u>		
2003 Telephone Equipment		<u>65,316</u>
Total Debt		<u><u>\$1,579,608</u></u>

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

In 1999, the School District received \$955,578 for energy capital improvements. The 15 year note matures in December 2014, has an interest rate of 5.91% and is paid from the general fund.

During fiscal year 2007, 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 the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The advance is repaid over two fiscal years with State foundation revenues.

Springfield Local School District – Summit County

Financial Accounting Report

Debt Administration

(continued)

In 2003, the School District entered into a \$400,000 lease for a telephone system. The lease continues until October 2009 and is paid from the general fund.

Auditor of State Comments

None.

Springfield Local School District – Summit County

Financial Accounting Report

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the School District should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the School District should be adequately safeguarded against loss or theft. The School District should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase asset, tag number, whether the item is leased, and current purchases and disposals. The purchase and disposal of an asset should be authorized by the governing board, reported to and promptly recorded by the Treasurer or Business Manager, and insurance records adjusted. The transfer or reassignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed periodically.

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

Statutory Requirements

Section 117-2-02 (D)(4)(c) of the Ohio Administrative Code requires that the school district maintain capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data. Capital assets are tangible assets that normally do not change form with use and should be distinguished from repair parts and supply items.

Section 3313.41(A), Revised Code, requires that, except as provided in divisions (C),(D), (F), and (G) of this section, when a board of education decides to dispose of real or personal property that it owns in its corporate capacity, and that exceeds in value ten thousand dollars, it shall sell the property at public auction, after giving at least thirty days' notice of the auction by publication in a newspaper of general circulation or by posting notices in five of the most public places in the School District in which the property, if it is real property, is situated, or, if it is personal property, in the School District of the Board of Education that owns the property. The Board may offer real property for the sale as an entire tract or in parcels. Under division (B), when the Board of Education has offered real or personal property for sale at public auction at least once pursuant to division (A) of this section, and the property has not been sold, the Board may sell it at a private sale. Regardless of how it was offered at public auction, at a private sale, the Board shall, as it considers best, sell real property as an entire tract or in parcels, and personal property in a single lot or in several lots.

School District's Method of Accounting for Capital Assets

In accordance with Board policy, the School District performs a complete physical inventory of all School District owned equipment annually. The School District uses Valuation Engineers Incorporated to provide updated appraisal values so that adequate insurance coverage is maintained.

Springfield Local School District – Summit County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

At the end of each school year, the teacher or head of each room takes a physical inventory count of the capital assets in his or her room and fills out a Room Inventory Sheet that is sent to the Account Clerk. These sheets are kept on file by the Account Clerk.

The School District's capital asset threshold is set at \$1,500. When the Account Clerk pays invoices, she identifies the items that need to be capitalized (assets at and above \$1,500) and items that the School District simply wants to keep track of (assets under \$1,500). The Account Clerk will then begin to fill out a "Fixed Asset Additions" form including information such as the asset tag number, purchase order number, vendor name, purchase date and asset description. The Account Clerk sends the "Fixed Asset Additions" form to the specific building where the asset is located to have the remaining information filled in such as model number, serial number and room number location. The form is then sent back to the Account Clerk where she files it. The Technical Work Experience Specialist that purchases all of the School District's technology assets keeps blank copies of the "Fixed Asset Additions" form. The Technical Work Experience Specialist will fill out the "Fixed Asset Additions" form in its entirety and send it to the Account Clerk when a technology asset is purchased. In instances when the "Fixed Asset Additions" form does not get filled out, the Account Clerk will keep a copy of the asset invoice with the tag number written on it and file this with the capital asset information. As an additional check, the Account Clerk will run a pending items report from the School District's system which automatically flags all 500, 600, or 700 expenditure object codes to ensure that all asset additions have been identified and recorded. The Account Clerk uses the "Fixed Asset Additions" forms and invoice copies to prepare an Additions Report. In this report, the Account Clerk lists all items that have been given a tag number but only codes the items that are to be capitalized with a "C". At the end of the school year, the Account Clerk's report is sent to Valuation Engineers who prepare a formal Addition Report for capitalized assets.

When capital assets are disposed, the building principal will send a written note with a description of the deleted asset to the Account Clerk. The Account Clerk will then enter the deleted asset into a Deletions Sheet. At the end of the school year, this sheet is sent to Valuation Engineers who prepare a formal Deletions Report as well as various other reports including Depreciation Reports and a Fixed Asset Detail Report.

School District's Methods for Assets for Supplies

The School District takes a year-end physical inventory of supplies in June for maintenance and custodial consumable inventory items. All inventories are sent to the Treasurer upon completion.

Transportation supplies inventory are tracked by LaidLaw Educational Services on a monthly basis.

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

Springfield Local School District – Summit County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

Auditor of State Comments

1. 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 policy should also be updated to include the new capitalization threshold.
2. The School District is not using the formal asset disposal form for the disposition of property which is discussed in the School District's Board Policy. The policy should be followed and dispositions should be documented.
3. The School District's consumable inventory procedures should be updated to include the items to be inventoried, method to be used, and the individuals responsible for verifying the count. The procedures should include a standard form for counting fiscal year inventory. The procedures should include the addition of a review process that the School District should begin to ensure that amounts purchased are reasonable.

Springfield Local School District – Summit County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

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

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

Statutory Requirements

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

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

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

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

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

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

Section 3315.01, Revised Code, allows the board of education of any school district to adopt a resolution requiring the treasurer of the district to credit the earnings made on the investment of the principal of the moneys specified in the resolution to the fund from which the earnings arose or any other fund of the district as the board specifies in its resolution, except for earnings made on the investment of the bond retirement fund, the sinking fund, a bond fund or the school facilities project fund.

Springfield Local School District – Summit County

Financial Accounting Report

Cash Management and Investing

(continued)

Federal Requirements

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

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

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

The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Account Clerk and the Treasurer. The Account Clerk reconciles the treasury with the accounting records. The Treasurer is responsible for the transfer of cash among the various bank accounts, investing activities and reviewing the monthly reconciliation prepared by the Account Clerk. The School District maintains a checking account, a payroll checking account, a cafeteria account, a sweep account, one STAROhio investment account, a certificate of deposit and a repurchase agreement.

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

Bank and Account Description

FirstMerit Bank	This checking account is used for the general operations of the School District.
FirstMerit Bank	This account is used for the accumulations and distributions of funds for payroll of the School District.
FirstMerit Bank	This account is used for the accumulations and distributions of funds for the lunch program .
FirstMerit Bank	This is a repurchase agreement account.
Huntington Bank	This is a repurchase agreement account.
STAROhio	This is used as an investment account of the School District.

STAROhio receives wire transfers for the Springfield School District. The FirstMerit Bank checking account receives daily deposits from the School District. Transfers are made, when necessary, from the STAROhio account into the FirstMerit Bank general checking account. Checks are written against this account for the daily operations of the School District.

Springfield Local School District – Summit County

Financial Accounting Report

Cash Management and Investing

(continued)

The Account Clerk reconciles the bank accounts each month. Any discrepancies are noted on the monthly cash reconciliations. The Treasurer reviews this reconciliation. The cancelled check images are stored on disk in a safe in the Treasurer's office.

The Springfield School Board of Education authorizes the Treasurer to make investments with available monies from the funds of the School District in securities authorized by State Law. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law. The only investments the School District holds are the STAROhio account, a certificate of deposit and two repurchase agreements. The funds that receive the interest by resolution, are the following:

001 General Fund
018 Springfield Local Scholarship Fund

Interest is also allocated to the Food Service Fund based on the fund's cash balance at the end of the month and the interest rate. This allocation is calculated by the Treasurer.

The Treasurer's office and maintenance department maintains a petty cash fund. These funds are authorized by the Board.

Auditor of State Comments

1. The Treasurer reviews all bank reconciliations to verify that book balances match bank balances. He should initial and date the monthly bank reconciliation to indicate when it was reviewed.
2. The School District does not have an agreement securing deposits that meets the FIRREA requirements.
3. The School District has an investment policy which 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), Revised Code.

Springfield Local School District – Summit County

Financial Accounting Report

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-end. At the time the report is filed with the Auditor of State, the Treasurer should publish notice in a newspaper published within the School District. The notice should state that the financial report has been completed and is available for public inspection at the office of the Treasurer.

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

Administrative Code Requirements

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

The School District's Method of Financial Reporting

The School District uses software provided by the Northeast Ohio Network for Educational Technology (NEOnet) which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports which are stored in books with the Account Clerk. Throughout the year, various payroll reports are kept on file with the Payroll Clerk. The 4502, the cash basis annual financial report, is completed by the Treasurer, printed, and sent to the Independent Public Accountant to use in preparing the annual financial report in accordance with generally accepted accounting principals.

The 4502 is usually completed during the month of July and is submitted to the State Department of Education electronically through the School District's A-site, NEOnet.

Springfield Local School District – Summit County

Financial Accounting Report

Financial Reporting

(continued)

On the Friday prior to the Board meeting, the Treasurer's office provides Board members with a check register that needs approval. At the start of the Board meeting, the Board members receive a monthly SM-2 Annual Spending Plan (Current Operation – General Fund Only) report, financial summary report (receipts, expenditures and current fund balance for each fund), revenue report (detailed revenues and amount receivable) and appropriation report (detailed expenditures and amount expendable). Other financial reports are given according to a request of the Board members.

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

Auditor of State Comments

None.

Springfield Local School District – Summit County

Financial Accounting Report

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The School District's minutes should reflect full and accurate information that permits the public to understand and appreciate 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 Board members to review prior to the Board meeting at which they will vote upon it. In the adoption or passage of a resolution, the yeas and nays should be entered into the minutes and the resolution should be signed by the presiding officer and the Treasurer. All Board minutes and resolutions should be maintained as a permanent record of the Board.

Statutory Requirements

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

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

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

The School District's Method of Recording Official Proceedings

The Board of Education holds their regular meetings on the second Tuesday of each month. The Treasurer takes notes during the Board of Education meetings. From those notes, the Account Clerk prepares the minutes of the meeting. The minutes include who is in attendance, a summary of topics discussed, resolution numbers and a description of the resolution, votes on each resolution and any reports or materials handed out to support the resolutions. The minutes are approved by the Board at the next meeting and then the minutes are signed by the President of the Board and the Treasurer. The minutes are not always signed immediately after the meeting at which they are approved. Typed minutes and supporting exhibits are kept in binders in the Treasurer's office.

Auditor of State Comments

1. The Board minutes are not always signed by the 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.

Springfield Local School District – Summit County

Financial Accounting Report

Conclusion

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

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

Springfield Local School District – Summit County

Financial Accounting Report

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Mary Taylor, CPA
Auditor of State

SPRINGFIELD LOCAL SCHOOL DISTRICT
SUMMIT 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
AUGUST 5, 2008