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Auditor of State

**Jefferson Township Local School District**  
**Montgomery County, Ohio**  
**Report on Accounting Methods**

**Local Government Services Section**

**Jefferson Township Local School District, Montgomery County  
Report on Accounting Methods**

**Table of Contents**

Certification .....	2
Purpose .....	3
Governance Overview .....	4
Analysis of School District's Methods:	
Budgetary Process.....	6
Revenue Activity .....	11
Purchasing Process.....	16
Cash Disbursements.....	21
Payroll Processing.....	24
Debt Administration.....	32
Capital Assets and Supplies Inventory .....	33
Cash Management and Investing .....	36
Financial Reporting.....	39
Recording Official Proceedings .....	41
Conclusion .....	42



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## CERTIFICATION

On August 11, 2008, the Jefferson Township 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 Jefferson Township Local School District.

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

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# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Purpose

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

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the Jefferson Township 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 Jefferson Township 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.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Governance Overview

Jefferson Township 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 August 11, 2008, 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 Auditor;
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 Jefferson Township 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.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### 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 initially adopted on November 24, 2008 and includes the power to approve contracts entered into by the Jefferson Township 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 School Board.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Budgetary Process

#### Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and 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 fiscal 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, a board of education is required to adopt an annual tax budget for the fiscal year commencing the following July 1. The budget should include proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings should be publicized and conducted to obtain taxpayers' comments. The primary purpose of this budget document is to demonstrate the need for existing (or increased) tax rates. By no later than January 20, a board-adopted budget is filed with the county budget commission for rate determination.

Estimated Resources: By April 1, a board of education accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's official certificate of estimated resources which includes the estimated beginning unencumbered fund balance and the estimated revenue of each fund. Prior to June 30, the school district must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year; however, any reserve balance account and the principal of any permanent 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 auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification stating no new certificate is necessary, the annual appropriation measure must be legally enacted by the board of education. Prior to the passage of the annual appropriation measure, the board of education 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 of estimated resources 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 of education. The board of education 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.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Budgetary Process

(Continued)

No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official estimate or amended official estimate. When the appropriation does not exceed the official estimate, the county auditor shall give a certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

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 of education 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 of education 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 a school district to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the school district's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the treasurer, superintendent, and president of the board of education. If the school district is in a state of fiscal emergency, the certificate shall be signed by a member of the school district's financial planning and supervision commission who is designated by the commission for this purpose. The certificate is to be attached to any qualifying contract.

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



# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Budgetary Process

(Continued)

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to include five-year projections of operational revenues and expenditures in a five-year forecast. 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.

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

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

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

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Budgetary Process

(Continued)

#### School District's Budgetary Process

The School District's formal policies regarding the budgetary process provide that annual appropriations shall be adopted and approved by the Board of Education. The Board of Education places the responsibility of administering appropriations, once adopted, with the Superintendent. The Board of Education adopts at the same time as its annual appropriation measure a spending plan setting forth a five-year projection of revenue and expenditures of the general fund.

The county budget commission has waived the requirement for a formal tax budget. In its place, the budget commission has required the School District to provide revenue and expenditure information in order to perform its duties. This information is filed with the budget commission no later than January 20. The budget commission determines the amount of property tax millage and calculates the estimated property tax for each levy. Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the budget commission and receives the budget commission's certificate of estimated resources.

After the close of the fiscal year, the Treasurer takes the fiscal year-end balances generated by State software and creates an amended certificate to submit to the county auditor for the next fiscal year. The county auditor will review the amended certificate and sign it. If there are any changes, the county auditor will issue a new amended certificate. Adjustments to the amended certificate are entered into the system when received from the budget commission.

The Board of Education adopted a temporary appropriation measure at the fund-type level for all funds, prior to the start of the new fiscal year. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted. A permanent appropriation measure is adopted by October 1. The Treasurer compares appropriations to estimated resources when preparing supplemental appropriations, and retains the related reports and spreadsheets in a binder with any applicable notes. When appropriations are amended, the Board adopts appropriations in total without reviewing explanations for the amendments. The Treasurer submits all appropriation measures to the budget commission and at the same time submits a request for an amended certificate of estimated resources for any new or additional estimated revenue available for appropriation. Within one to two weeks, the Treasurer receives a certificate from the county auditor certifying that appropriations from each fund do not exceed the official certificate of estimated resources. During fiscal year 2009, permanent appropriations exceeded estimated resources in the special revenue funds. Final appropriations for fiscal year 2009 were submitted to the budget commission by fund; however, the Board of Education approved these appropriations by fund-type.

All Board of Education approved temporary and permanent appropriations are entered into the accounting system after they are passed but before the School District has received the certificate from the county auditor that appropriations from each fund do not exceed the official or amended official certificate of estimated resources.

Each fiscal year, the Treasurer prepares a five-year forecast, including assumptions, that is approved by the Board of Education and filed with the State Department of Education by October 31. The forecast is filed electronically through the School District's A-site. The forecast was updated and submitted to the Ohio Department of Education on May 28, 2009. The Treasurer keeps the five-year forecast on file in his office with the documentation that was used to prepare the forecast.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Budgetary Process

(Continued)

#### Auditor of State Comments

1. The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the control over the allocation/re-allocation of appropriation amounts. The policies need not restate the statutory requirements. The policies should also require the Treasurer to report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.
2. The Treasurer compares appropriations to estimated resources when preparing supplemental appropriations, but this comparison is not presented to the Board of Education. This comparison should be presented to the Board of Education at the time of a request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.
3. Appropriations are posted in the system prior to receiving the certificate from the county auditor indicating that appropriations are within estimated resources. Appropriations should be posted in the system when they become effective, which is upon receipt from the county auditor of the certificate indicating that appropriations are within estimated resources.
4. Final appropriations for fiscal year 2009 were approved by the Board of Education in total by fund-type rather than by fund. Appropriations should be presented and approved at least at the minimum legal level of control required by Ohio Administrative Code Section 117-6-02. Also, the Board of Education should request substantiation of any appropriation amendments before they are approved.
5. The Treasurer does not print reports from the system and compare estimated resources and appropriations to the official documents certified by the budget commission. The Treasurer should ensure that estimated resources and appropriations in the School District's accounting system are entered properly and tie to the appropriate Official Certificate of Estimated Resources and permanent appropriations passed by the Board of Education and certified by the county budget commission.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Revenue Activity

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

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. A pre-numbered, multi-part receipt form or a system generated receipt form should be issued for any payment received by departments. 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 a 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 instruction, 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's primary sources of revenues include property taxes collected and remitted by the county auditor and treasurer, State Foundation program revenues and Federal and State grants both which are remitted to the School District from the Ohio Department of Education. The School District also collects student fees, admissions for athletic events at the high school and charges for school lunches served in their cafeterias. The Treasurer, Assistant to the Treasurer, Athletic Director, and Head Cook are individually bonded.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Revenue Activity

(continued)

For receipts outside the Treasurer's office, except those coming from the cafeterias, the elementary office secretary or the high school principal prepares a three-part written building receipt for each individual receipt collected. The white copy of the written building receipt is given to the individual, the yellow copy of the written building receipt will be sent to the Treasurer's office and the pink copy of the written building receipt is kept in the building's receipt book. The daily receipts are secured in a locked box at each school. On their next trip to the Board office, the building principals take the money collected and the yellow copy of the receipts to the Treasurer's office and the Assistant to the Treasurer writes and signs a two-part pay-in. A copy of the pay-in is given to the building principal. The Treasurer keeps the money in a locked box in the Treasurer's office and the money is deposited within three business days.

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 are printed from the Ohio Department of Education's web page by the Treasurer. A confirmation of the deposit is received from STAROhio and the amount of the wire transfer is compared by the Treasurer to the net amount listed on the foundation settlement sheet. Generally, foundation settlements include restricted and unrestricted receipts and tuition payments from other school districts. These receipts are posted to the system directly from the foundation settlements by the Treasurer. The Ohio Department of Education also deducts from each settlement pension contributions and tuition payments due to other school districts and community schools. These deductions are posted directly to the system by the Treasurer as memo checks. A receipt is printed off the system and signed by the Treasurer. The foundation settlement sheets and the signed receipts are stapled together and filed in the Treasurer's office.

Receipt of Property Taxes: Property Taxes are wire-transferred to the School District's STAROhio account from the Montgomery County Auditor. The Treasurer identifies the proper account codes for gross property tax receipts and deductions and prepares a Property Tax Summary Sheet using information from the tax settlement sheet and ACH voucher that is faxed from the county auditor. The Treasurer verifies that the net property tax receipts calculated on the Property Tax Summary Sheet match the amount on the ACH voucher received from the county auditor. The Treasurer then posts the receipts to the system, prints a receipt and signs it. The tax settlement sheet, ACH voucher, Property Tax Summary Sheet, and signed receipt are all stapled together and filed in the Treasurer's office.

Receipt of Property Tax Allocations: Homestead, rollbacks and other property tax allocations, including tangible personal property exemption, utility deregulation and tangible personal property loss reimbursement are wire-transferred to the School District's STAROhio account from the Montgomery County Auditor. The Treasurer identifies the proper account codes for gross receipts and deductions and prepares a Personal Property Tax Summary Sheet using information from the tax settlement sheet and Automatic Clearing House (ACH) voucher that is faxed from the county auditor. The Treasurer verifies that the net property tax allocations calculated on the Personal Property Tax Summary Sheet match the amount on the ACH voucher received from the county auditor. The Treasurer posts the receipts to the system, prints a receipt and signs it. The tax settlement sheet, ACH voucher, Property Tax Summary Sheet, and signed receipt are all stapled together and filed in the Treasurer's office.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Revenue Activity

(continued)

Receipt of Grant Monies: The School District participates in various Federal and State grant programs through the Ohio Department of Education's (ODE) Comprehensive Continuous Improvement Planning (CCIP) System. The CCIP System is a unified grants application and verification system provided by the Ohio Department of Education. The Treasurer fills out all grant applications and currently, the Board of Education does not review or approve any grants. When a Project Cash Request is made, the Treasurer prints it off and files it in his office. Weekly, the Treasurer checks the payment detail on ODE's website and when a grant payment is made, he prints a screen shot showing the date of the payment, the voucher number, invoice number, and payment amount. The receipt is then posted to the system by the Treasurer and a printed receipt is signed. The signed receipt, corresponding project cash request, and screen shot are all stapled together and filed in the Treasurer's office.

Athletic Event Receipts: At the High School, adult and student tickets are sold for athletic events using two ticket rolls. Each roll is a different number series and a different color so they can be easily distinguished. At the end of each athletic event, the cash is counted and a report is filled out by the Athletic Director showing the starting and ending ticket numbers for student tickets and adult tickets, the total number of tickets sold, price per ticket and total amount sold. When tickets are sold, they are torn in half. One half goes to the person buying the ticket and the other half is retained. Of the tickets retained, the first ticket sold and the last ticket sold are stapled to the report and all tickets in between are disposed of. The report is signed by the ticket manager and the Athletic Director to show that the tickets sold and amounts collected have been reconciled. The cash from the ticket sales is taken by the Athletic Director and secured overnight in a safe in the Athletic Director's office at the high school. On the next business day, the Athletic Director delivers the report and the cash to the Treasurer's office and the Assistant to the Treasurer writes a two-part pay-in order. One copy is retained by the Treasurer's office and the other copy is given to the Athletic Director. The report and cash are then given to the Treasurer and the amount is posted to the system. If the amount is greater than \$1,000, it is deposited within one business day. If the amount is under \$1,000, it is deposited by the Treasurer within three business days. If the money is not deposited on the same business day, it is kept in a safe in the Treasurer's office. The report, pay-in order, deposit ticket, and signed receipt are all stapled together.

Student Activity Receipts: Fundraisers are rare, but when a student activity would like to do a fundraiser, the student activity advisor must fill out a requisition and get Superintendent approval. There is no policy in place specifying the information that is to be provided to the Superintendent. If the Superintendent approves, the requisition is given to the Treasurer and he does a purchase order for the requested materials. If the fundraiser continues for more than one day, the money is stored in a locked box in the building principal's office. At the conclusion of the fundraiser, the student activity advisor brings the money to the Treasurer's office and the Treasurer posts the receipt to the system. The Assistant to the Treasurer writes a pay-in and a copy is given to the activity advisor. The money is then stored in a safe in the Treasurer's office and is deposited at the bank within three business days.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Revenue Activity

(continued)

Receipt of Cafeteria Monies: Because the School District is a high poverty school district, they participate in the Ohio Department of Education's Provision 2 program which provides free breakfast and lunch to all students. The only lunchroom receipts are from the sale of ala carte items and teacher/staff lunches. There are three cash registers used to collect money; one at the elementary school and two at the high school. Each cash register has a \$25 - \$40 change fund and the drawer and the change fund are locked in the freezer by the Head Cook each night. At the high school, a specific number of trays are stacked at the beginning of the main lunch line each day and as a student comes through the line, a tray is taken and a free meal is served. The number of free lunches is calculated each day by taking the total number of trays stacked minus the number of trays remaining at the end of the day minus the number of adults served. If a student wants to buy additional ala carte items, they continue on to the student ala carte line and a cashier collects payment for those items at the end of that line. Adult ala carte items are purchased in a separate ala carte line and the daily sales report for that ala carte line shows the number of adults served. The price of all ala carte items is programmed into the cash register.

At the end of each day, each cashier prints a daily sales report off the register and counts the drawer to make sure the correct amount of money was collected. A daily worksheet is filled out by each cashier showing the number of students that ate lunch and the amount collected at each cash register. The Head Cook obtains the daily sales report and the cash and double checks the cash collected to the daily sales report. The Head Cook writes a deposit slip and puts the cash, the daily sales report, and the deposit slip in a bank bag and stores it in the freezer at the high school until it is taken to the bank. The registers also keep a running sales report throughout the month and when the roll of paper runs out, the entire roll is taken out by the cashier and stored in a box at each school. At the elementary school, there is only one cash register and the same procedure is followed by the elementary cashier. The cashier at the elementary school collects the cash, reconciles her drawer, fills out the daily worksheet and deposit ticket, and locks her cash receipts and register drawer in the freezer. The Head Cook picks up the cash on Wednesdays and Fridays to make deposits at the bank. One deposit slip is written for each school for each day.

At the end of each month, the Head Cook takes the daily worksheet, the daily sales report, and the deposit tickets from the bank from both schools to the Treasurer's office and the Treasurer posts a receipt in the system for each day. The Assistant to the Treasurer writes a pay-in and staples it to the white and yellow deposit tickets and the signed system receipt. The daily worksheet is given to the Assistant to the Treasurer and filed with other lunchroom documentation in a separate folder.

### Auditor of State Comments

1. The School District does not have written procedures for the receipt and recording of revenues. Documented procedures for the receipt and recording of revenues should be prepared by the Treasurer and given to all departments involved in the receipt and processing of revenues. These procedures should be filed in the Treasurer's office and reviewed at least annually.
2. The Board of Education currently does not approve the prices of ala carte items, adult lunches, and admission to athletic events. The Board of Education should pass a resolution each fiscal year approving these prices and any other fees to be charged.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Revenue Activity

(continued)

3. Daily worksheets and daily sales reports are not being reconciled. The Head Cook should verify that the daily worksheets match the daily sales reports and sign them to confirm this has been completed. Periodically, the Lunchroom Manager should compare the daily sales reports to the deposit slips.
4. The Board of Education currently does not review or approve grant applications before they are submitted. They should be presented with program costs and local share information and they should pass a resolution approving any grant applications before they are submitted.
5. Currently, only the Treasurer, Assistant to the Treasurer, Athletic Director, and Head Cook are bonded. All employees handling cash should be bonded to insure the School District against a theft. This includes the lunchroom cashiers.
6. The Board of Education should incorporate a written policy on fundraisers into the student activities policies. A Potential Sales Form should be completed by the project advisor before the start of the project and it should be signed by the building Principal and Superintendent. At the completion of the sale, a form should be completed documenting the actual receipts, expenditures, and total profit. Each advisor doing a fundraiser should issue duplicate receipts for any money received.



# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### 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 Treasurer'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 fiscal officer'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.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Purchasing Process

(continued)

Major Contracts: Section 5705.412, Revised Code, provides definitions for qualifying contracts and states that no school district shall make any qualifying contract or increase any wage or salary schedule unless there is a signed certificate attached thereto that the school district has sufficient revenue to enable the school district to 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 on 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.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### 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 \$75,000 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. A copy of the statement shall also be incorporated into the contract, and no payment shall be made with respect to any contract to which this section applies unless such statement has been so incorporated as a part thereof.

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."

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Purchasing Process

(continued)

Financial Planning and Supervision Commission - Under Chapter 3316 Revised Code, the Commission assumes the power to approve personal service, employment and collective bargaining contracts, approve all contracts above \$5,000, and have all purchase orders reviewed by the fiscal monitor.

Campaign Financing (HB 694): - Section 3517.13 of the Revised Code states any bid or unbid contract, purchase order, or collective bargaining agreement with a value of more than \$10,000 requires the vendor to certify to the contracting authority that the vendor has not made a contribution to the contracting authority in an amount that exceeds the limits provided by law.

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

### School District’s Purchasing Process

When goods or services are required at a school building an employee completes a manual requisition form. The manual requisition includes the originator, vendor, the date of request, type and quantity of items requested, price, and account to be paid from. The requisition form is submitted to the building principal who approves the requisition by signing it. The form is then sent to the Superintendent who reviews the requisition and approves it with his signature. All approved requisitions are given to the Treasurer. The Treasurer verifies there is funding through appropriations then signs the requisition and creates a purchase order form. The original requisition is stapled and attached to a copy of the purchase order. The purchase order is created through the accounting software and is assigned a number in numeric succession by the computer system. The original signed purchase order is kept in the Treasurer’s Office. A copy is made and given to the person who initiated the requisition. The Treasurer is the only person who creates purchase orders in the system. For purchase orders of the Superintendent, the Treasurer signs and approves these. The Superintendent signs purchase orders of the Treasurer.

If the School District anticipates a purchase to exceed \$25,000, the Jefferson Township Board of Education policy states that the Superintendent shall obtain competitive bids. The Board of Education policy states that competitive bids should be obtained for the purchase of, and contract for, single items of supplies, materials or equipment amounts to exceed \$25,000 or more, and when the Board determines to build, repair, enlarge, improve, or demolish a school building and the cost of which will exceed \$25,000. Bids shall be sealed and are to be opened by the Treasurer in the presence of at least one witness. All bids are shown to the School Board and then kept on file in the Treasurer’s office. The Board may award a contract to the lowest responsive and responsible bidder. Among other things, the Board will consider the bidder responsible based on experience, financial condition, and conduct on previous contracts. The Board, by resolution, awards the contract. Due to the School District’s financial condition, they have no contracts that were subject to bidding in the previous six months. Board policy also states that the Superintendent should seek at least two price quotations on purchases of more than \$10,000 but under \$25,000, when feasible. The Assistant to the Treasurer handles the purchases for food service contracts.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Purchasing Process

(continued)

The accounting system will not allow the same purchase order number to be used more than once. If an employee accidentally enters a previously used purchase order number, the system will display an error message such as “purchase order already on file”. The posting of the purchase order automatically records an encumbrance in the system. The purchase order is printed and is manually signed and dated by the Treasurer. Next, the purchase order must be signed by the Secretary of the Financial Planning and Supervision Commission who visits the School District once a week. If the purchase order is over \$5,000 it must be presented at a Commission meeting and approved by the Commission before being signed by the Secretary of the Financial Planning and Supervision Commission. If the contract is over \$25,000, it must also be approved by the Board of Education through resolution. Purchase orders are used for all purchases and contracts of the School District.

New vendors are requested by School District employees when necessary. The Treasurer calls the vendor to request a taxpayer identification number, address, phone number and fax number, if not available on the invoice. The Treasurer assigns a vendor number and enters the new vendor’s information into the computer system. The School District does not perform a search of the Auditor of State’s website to verify that new vendors have no outstanding, unpaid findings for recovery.

“Then and Now” certificates are prepared for purchases without prior approval. The Treasurer uses a separate sheet to create the certificate and attaches it to the original purchase order. The Treasurer only approves the use of “Then and Now” certificates if the purchase was necessary and appropriations are available. If a “Then and Now” purchase order is denied, the employee who initiated the purchase would be obligated to pay.

The School District reviews all open purchase orders annually. At fiscal year-end, if invoices still exist against an existing purchase order, that purchase order will be carried over to the following fiscal year. Any unneeded purchase orders will be cancelled along with the corresponding encumbrances. Building principals and the Superintendent will be consulted before any outstanding purchase orders are closed.

### Auditor of State Comments

1. The School District does not perform a search of the Auditor of State’s Findings for Recovery website when entering into contracts. Section 9.24, Revised Code, 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 of State, if that finding is unresolved.
2. The Board does not currently sign off on “Then and Now” certifications/purchase orders in excess of \$3,000. Section 5705.41(D), Revised Code, allows the fiscal officer to certify and pay obligations of less than \$3,000 and the Board, by resolution, to authorize payment for amounts greater than \$3,000.
3. The Treasurer obtains new vendor information but does not have potential vendors complete an IRS Form W9. IRS Form W9 or a suitable substitute for the form should be completed and signed by the new vendors and kept on file in the Treasurer’s office.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Cash Disbursements

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

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the School District. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who 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 “...whenever a 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.”

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Cash Disbursements

(continued)

#### Administrative Code Requirements

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

#### School District’s Cash Disbursement Process

The Treasurer has the responsibility to ensure that goods and services are received prior to payment. When the goods or services have been received, the employee at the building who receives the shipment of goods verifies the contents to the packing slip and the purchase order. If all goods are not received or incorrect items are received, the employee or the Treasurer will contact the vendor and resolve the error accordingly. The Treasurer verbally verifies receipt of goods with the person who initiated the request, initializes the purchase order, and marks it “okay to pay”. All original purchase orders are kept in a binder in the Treasurer’s office.

The majority of invoices are received directly by the Treasurer; however, some invoices will arrive at the various school buildings. When this happens, the invoice will be sent to the Treasurer. The Treasurer processes invoices as they are received. When the Treasurer receives the invoice, he matches the invoice to the purchase order and requisition signed by the employee to make sure that everything invoiced was actually received and compares the items, quantities, and unit price on the purchase order to the invoice. If an invoice is wrong, the Treasurer investigates why there is a difference and contacts the vendor to notify the vendor of the error. The error is then resolved accordingly. If no purchase order exists for an invoice, the Treasurer prepares and signs a “Then and Now” certificate.

The Treasurer staples the requisition, purchase order and the invoice together and signs the invoice “okay to pay”. Then the Treasurer gives the packet to the Assistant to the Treasurer. The Assistant to the Treasurer pulls up the purchase order number in the system and verifies the vendor, account code, invoice number, purchase order number, and amount of the invoice before creating a check in the system. The Assistant to the Treasurer then prints a list of outstanding invoices and compares the individual invoices to the amounts on the list. This is done and given to the Treasurer before checks are printed. The Assistant to the Treasurer then creates and files a voucher packet that includes a copy of the check, the copy of the purchase order, the packing slip, when received, and the requisition. All voucher packets are kept in a filing cabinet in the Treasurer’s office and filed numerically by check number.

In the majority of instances, payment is not made on an order until all goods have been received. Once the remainder of the order is received, the Treasurer compares the purchase order to the invoice. The Treasurer then sends the invoice, purchase order and the requisition, to the Assistant to the Treasurer, where the payment is processed. If the invoice amount is greater than the purchase order amount by less than ten percent, the Treasurer will authorize payment. If the invoice amount is greater than the purchase order amount by more than ten percent, the employee must create a new requisition for approval.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Cash Disbursements

(continued)

In rare instances that a partial payment is made, the Treasurer sends a copy of the invoice for the partial order to the building employee to verify that they have received the items on the invoice. The employee who originally requested the purchase checks off that they received the goods and sends the invoice back to the Treasurer's Office. The Treasurer writes the amount of the partial payment on a copy of the purchase order. The purchase order is left open in the system. The School District opens purchase orders at the beginning of the fiscal year for items such as utilities, routine supplies, repairs, and legal expenses.

Checks are printed every Friday and on an as needed basis. The blank checks are kept in a locked cabinet in the Treasurer's office. The blank checks contain the School District's name and account number. The Superintendent, the Treasurer and the Assistant to the Treasurer are the only people who have access to the blank checks. The Assistant to the Treasurer prints the checks from the system and attaches a copy of the check to the voucher packet. The blank checks are a multi-part form with an original and yellow copy. The original copy of the check is sent to the vendor along with the remittance for payment. The yellow copy is filed with the voucher packet and kept in the Treasurer's Office. The Treasurer reviews and manually signs all checks before they are mailed. The Treasurer is the only person authorized to sign checks.

If a check is voided, the Treasurer hand writes "VOID" on the check. The voided checks are filed in numerical order in a filing cabinet in the Treasurer's Office. The Treasurer will also mark that a check was voided on the voucher packet. The voided checks are marked as void in the accounting system.

### 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, when an invoice exceeds the purchase order/fiscal officer certification of funds, and the use of "Then and Now" certifications. The document should be kept on file in the Treasurer's office.
2. The Treasurer does not usually receive the packing slip from the employee that received the goods. After verification of the goods received, the employee should send the packing slip to the Treasurer.



# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

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

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. The human resource office files should contain current contracts, information on 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 of Ohio (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 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 Jefferson Township Local Schools are represented by the Ohio Association of Public School Employees and Local #674.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### 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; Section 3319.08, Revised Code, for teacher employment and reemployment contracts; and Section 3319.10, Revised Code, for employment and status of substitute teachers.

### School District's Payroll Processing Procedures

The School District's pay period for all employees begins on Sunday and ends on Saturday, 14 days later. Employees are paid on Friday, six days after the pay period ending date. Payroll is processed on a bi-weekly basis for approximately 80 full and part-time employees.

In addition to their bi-weekly pay, employees may receive additional amounts along with their regular compensation for supplemental contracts, extra pays, or longevity. Employees receiving an actual check, as well as those with direct deposit, receive a pay stub which includes an earnings statement portion that indicates gross and net earnings, withholdings (year-to-date and for the pay period), leave usage during the pay period, and leave balances as of the end of the pay period. For those employees with direct deposit, the check portion of the pay stub is voided and marked "direct deposit".

All certified and non-certified employment applications are received and kept on file in the Superintendent's and 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. Copies of transcripts, licenses, and evaluations are kept in the Superintendent's office. Copies of financial data, such as withholding forms, and other payroll related items are maintained in the Treasurer's office.

Time reports are prepared each pay period for all certified and classified employees. Classified employees are required to use a time clock to keep track of their time, while certified employees sign in and out on a time sheet that is located at each building. The time reports are prepared by the building secretaries and department supervisors. Each department supervisor prepares a single time report listing all employees in the department, the hours that each employee worked each day in a two week pay period and any leave taken. Each building secretary prepares a single time report listing all teachers in the school building, the days that each teacher worked in a two week pay period and any leave taken. The time reports are signed and approved by the building principal or department supervisor and then forwarded to the Treasurer's office. Any leave on the time reports must be matched to an approved absence form when received by the Treasurer's office.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

(continued)

The Assistant to the Treasurer receives all of the time reports for the School District. The Assistant to the Treasurer reviews the time reports to match any time marked as leave to a completed and approved absence report form. If an approved absence form cannot be matched to the time report, the Assistant to the Treasurer will not put the leave into the system until the employee can provide an approved leave sheet.

Regular pay for hourly employees is entered into the payroll system based on the hours recorded on the time reports. Regular pay for salaried employees is based on the employee's salary divided by 26 annual pays. The time reports for salaried employees are not used to enter hours worked into the payroll system. The time reports for salaried employees are maintained to track leave usage.

Overtime is tracked and approved on an individual basis. An employee must have prior approval from the Supervisor and Superintendent before overtime can be worked. Overtime pay is entered into the payroll system by the Assistant to the Treasurer from the approved overtime sheets.

Access to the payroll system is password protected. The Treasurer and Assistant to the Treasurer are the only ones with full access to the payroll system.

Payroll checks are printed on Tuesdays (no later than Wednesday) of every pay week in the Treasurer's office. The pre-numbered payroll checks are kept in a locked overhead cabinet in the Treasurer's office. The checks are pre-numbered, contain the School District name, and account number. All payroll checks are signed manually. The Treasurer's office is responsible for the key to the overhead cabinet. The Treasurer and Assistant to the Treasurer have access to the cabinet.

Payroll deductions for STRS and SERS are processed through the payroll system. The Board share of retirement is deducted from the State Foundation.

Bi-weekly, the Assistant to the Treasurer completes the STRS Employer Cash Receipt Remittance Form and mails it to STRS along with payment employee contributions for that pay period. SERS employee contributions are paid monthly. Each month, the Secretary to the Treasurer completes the SERS Cash Deposit Report and mails it to SERS along with payment.

Administrators: Individual administrative contracts are prepared by the Board of Education. The contract provisions establish the annual rate of pay, annual vacation days, and job duties and expectations for each employee. The contracts are reviewed and approved by the Board of Education. Contracts typically run from August through July of the subsequent year or years. Contracts are paid over 26 pays.

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Jefferson Township Education Association and the Jefferson Township Board of Education. The present negotiated agreement covers the period July 1, 2008, through June 30, 2010. The negotiated agreement establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the negotiated agreement identifies the annual amount of personal leave and sick leave accrual for certified employees. Certified employees do not earn vacation. The School District attaches a 412 certification to its negotiated agreement.

All certified employees are given the choice to have their annual contract amount paid over 26 or 21 bi-weekly pay periods. Only a small percentage of certified employees actually select 21 biweekly pay periods instead of 26 pay periods.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

(continued)

Individual teacher contracts are prepared by the Assistant to the Treasurer. The licenses are kept on file in the Superintendent's office. Per the negotiated agreement, certified employees are given a limited one-year contract every year until 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 the following years.

The teachers' contracts are normally given out at the beginning of a school year. The employee receives a copy of the contract, a copy is sent to the Superintendent's office and the original is filed in the Treasurer's office. The contract states that the employee will receive pay according to the salary in 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 Board President and the Treasurer.

From the individual teacher contracts, the Assistant to the Treasurer manually enters the contract amounts into the payroll system. The School District's prior practice was to offer employees the option to be paid over 26 or 21 pays, depending on the employee's preference, however, this practice is being discontinued. The master agreement between the Jefferson Township Education Association and the Jefferson Township Board of Education includes a written policy stating that teachers should have his/her salary paid in 26 biweekly installments.

Classified Employees: Salaries and benefits for custodians, bus drivers, bus aides, cafeteria workers, the EMIS coordinator, para-professionals, the guidance counselor secretary, support services and principal secretaries are governed by a contract negotiated between the Jefferson Township Education Association and the Ohio Association of Public School Employees and Local #674. The present contract covers the period from July 1, 2008 through June 30, 2010. The School District attaches a 412 certification to its negotiated agreement.

The contract mentioned above sets forth annual or hourly rates for classified positions. The contract sets forth the sick leave accrual, the amount of vacation, and personal leave to be credited annually. In addition, the contract states overtime is to be paid at one and one half times the employee's hourly rate.

Classified employees' contracts and salary notifications are normally given out at the beginning of a school year. The employee receives a copy of the contract, a copy is sent to the Superintendent's office and the original is filed in the Treasurer's office. From the individual employee contracts, the Assistant to the Treasurer manually enters the contract amounts into the payroll system.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

(continued)

The Treasurer verifies that employee pay rates are entered correctly in the system by the Assistant to the Treasurer by comparing the salary notices and salary schedules to the amount entered into the payroll system. The Treasurer signs off on each salary notice as the information is approved.

Overtime earned by classified employees is paid in the pay period in which it was earned. Overtime is paid at a rate of one and one half times the employee's hourly rate. The overtime is not recorded on the same time reports used to record regular hours worked by classified employees but on a separate form. An employee must have prior approval from the Superintendent before overtime can be worked. All overtime has to be approved by the employee's supervisor each pay period. The Assistant to the Treasurer verifies the mathematical accuracy of the overtime reports, checks for the Superintendent's approval, and enters the overtime during the bi-weekly payroll process.

Leave: Vacation and personal leave is credited to each employee annually while sick leave is credited monthly 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 1.5 days for each calendar month from September through and including June of completed services for certified employees and 1.25 days for each calendar month for classified employees. Certified and classified employees can also donate their unused sick leave to a sick leave bank for the use of other employees. Vacation, personal, and sick leave usage is posted in the payroll system during the bi-weekly payroll process by the Assistant to the Treasurer according to the amount of time on leave forms and time reports. The system updates the balances automatically.

Employee leave forms must be completed for an employee to use vacation, sick or personal leave. The type of leave desired, the hours to be used and the date is completed on the required request for leave form which is submitted to the employee's principal or immediate supervisor. The supervisor 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. The supervisor or principal does not confirm available leave balances prior to approval. There are separate forms for sick and personal leave requests and all other requests for paid absence. All leave forms are required to be submitted to the Treasurer's office along with the corresponding time report.

The substitute time cards are submitted to the Treasurer's office. Substitute teachers are paid a daily rate and are used as needed. Each building has a calendar showing the name of the substitute working and the name of the employee who is taking leave for the day, which is used by the secretaries to match the absent teacher with a substitute. The building secretaries write the name of the substitute and the amount of time worked on a sheet. The sheet is approved by the building principal and sent to the Assistant to the Treasurer for processing. The Assistant to the Treasurer receives the substitute time cards, calculates the pay and enters this information into the payroll system. A majority of the time, the Assistant to the Treasurer will compare the substitutes to the leave requests each pay period.

The Treasurer's office is responsible for keeping vacation, sick, personal and other leave records for both certified and classified employees. The approved leave sheets are kept on file and used to verify balances in the event that an employee questions leave information as reflected on the employee's earnings statement.

Leave without pay is used if no other type of leave is available or able to be used and a request form is completed. The leave form is sent to the Assistant to the Treasurer, who calculates the amount to be adjusted on the employee's original contract, and it is then entered into the payroll system.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

(continued)

Other Employees: Board members are paid at a maximum rate of \$100 per meeting for a maximum of one meeting per month. The Treasurer provides an attendance sheet to the Assistant to the Treasurer which shows Board member attendance for each meeting. The Board members are paid the first payday of the month for the Board meetings from the prior month.

Withholdings: A new employee packet is given to new employees to be completed, signed, and returned to the Treasurer's office. This packet includes various forms including an Internal Revenue Service form I-9, Employment Eligibility Verification form, insurance documentation, various tax forms and retirement forms. The completed employee packet is passed on to the Treasurer's office and the information is entered into the computer by the Assistant to the Treasurer. Once the information is entered into the system, this is not double-checked by the Treasurer. If employees need to change any of the information on these forms, they can obtain the appropriate form from the Treasurer's office. Withholding and various deduction forms are maintained in the Treasurer's office within each individual employee file.

Direct Deposit: The School District offers direct deposit to all employees. A direct deposit form is given to new employees to be completed, signed and returned to the Treasurer's office. In addition, a voided check is also required to be submitted.

Other Employee Benefits: The School District provides medical, vision and dental benefits to all employees, administered through United Healthcare for medical and vision benefits and Delta Dental for dental benefits. For certified staff, the School District pays 80 percent and the employees pay 20 percent of their medical insurance premium. Classified staff are broken down into three different groups. Class A (12 month employees) is also an 80/20 split, Class B (9-10 month employees who work over 35 hours a week) is 62/38, and Class C (employees who work less than 30 hours a week) is 40/60. Life insurance benefits are provided through Sun Life Financial. Life insurance is paid by the Board of Education the first pay of each month.

Payroll deductions for medical and dental insurance benefits are processed through the payroll system and then used as part of the monthly payment. The Assistant to the Treasurer is responsible for the preparation of the documentation for the payments of medical, dental and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Assistant to the Treasurer.

Payroll Preparation: The Assistant to the Treasurer 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. All payroll information must be received by the Friday before the pay week. On Monday of pay week the Assistant to the Treasurer enters information into the system and begins processing payroll.

According to the payroll checklist the first report run is the bi-weekly report called INICAL. The INICAL lists the total regular employee bi-weekly payroll prior to exceptions (certain supplementals, miscellaneous pays, etc.) The next payroll report generated is a report called UPDCAL\_CUR that shows gross wages and is sorted by employee. The Assistant to the Treasurer will review this report and compare it to the amounts on the time card reports. If there are any unusual variances, the Assistant to the Treasurer will make any necessary corrections in the system.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

(continued)

The next step is the CALCPAY program which generates three reports, the DEDTOT, the BUDPRO and the PAYRPT. The DEDTOT lists all payroll deductions including STRS and SERS deductions. The BUDPRO details the gross payroll by individual employee and budget account and the PAYRPT shows the payroll amount. The current PAYRPT and the prior month PAYRPT are reviewed by the Assistant to the Treasurer to check for discrepancies from month to month. If a discrepancy exists, at this point a fix would be made in the system and all reports would be run again by the Assistant to the Treasurer.

The Treasurer also creates a spreadsheet to review and compare payroll reports for obvious errors, reasonableness and unusual deductions. The Treasurer verifies that his spreadsheet ties to the INICAL report and then signs off on the bi-weekly payroll.

The Assistant to the Treasurer prints the payroll checks and generates direct deposits using the CHKPRP program. Payroll checks and direct deposits are posted to the payroll system and general ledger system by running the CHKUPD program. The Assistant to the Treasurer verifies that the direct deposit amount matches the total on the PAYDIR report. The Assistant to the Treasurer has a number to call to confirm the direct deposit information and receives a confirmation number. Appropriate deduction checks are printed and posted to the payroll system and general ledger system by running DEDRPT and PAYDED.

The AUTOPOST program automatically posts the payroll information to the accounts to which the employees are charged within the payroll system and the budgetary system.

Direct deposit is preferred by the School District. There are a few employees who refuse to have direct deposit and request paper checks. Paper checks are manually signed at the time of printing by the Treasurer. Employees can choose how to receive their paper checks and direct deposit stubs. During the school year, the checks and direct deposit stubs are manually sorted by the Assistant to the Treasurer and are sent to each building or department for distribution to employees. During the summer months and on holiday breaks, an employee has the option to pick up the checks at the building in which they work, or they can send in a self-addressed stamped envelope for those that want them sent to their house.

Internal Revenue Service W-2 forms are processed at the end of the calendar year. W-2 forms are distributed to all employees usually by the second pay of January. All W-2 information is submitted electronically to the IRS.

Once an employee is terminated from the School District, the Assistant to the Treasurer creates a payoff form that is used to calculate their final pay. Severance is also calculated by the Assistant to the Treasurer.

### Auditor of State Comments

1. The majority of employees receive their compensation by direct deposit. A small number of employees receive checks. The School District should include a requirement for direct deposit for all employees in the negotiated agreements.
2. The supervisor or principal and Superintendent approve leave request sheets. Employee leave request forms are being approved without verifying the available leave balances for each employee. The supervisor or principal and Superintendent should not approve leave request sheets without first confirming that the leave requested is available to employees. The building secretaries may be used to verify existing leave before supervisor approval.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Payroll Processing

(continued)

3. Final pay and severance for terminated employees are calculated by the Assistant to the Treasurer. The Treasurer should be reviewing the final pay and severance calculation as well as verifying that terminated employees are marked inactive in the system once they have received their final pay.



# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### 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 board of education. 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 ensure 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 Administration

The amount of the School District's outstanding debt at June 30, 2009, was \$2,132,000, and consisted of \$1,500,000 outstanding on a 2008 State of Ohio Solvency Assistance, and \$632,000 outstanding on an administrative building lease.

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

In fiscal year 2003, the School District entered into a lease-purchase agreement with the Rickenbacker Port Authority (through OASBO Expanded Asset Pooled Financing Program) for the construction of an administrative building. National City Bank has been designated as trustee for the agreement. The source of revenue to fund the principal and interest payments are general operating revenues of the School District. Capital assets acquired by lease were capitalized in the amount of \$708,000, which is equal to the present value of the future minimum lease payments as of the date of their inception.

During fiscal year 2009, the School District received a Solvency Assistance Fund Advance from the State of Ohio in the amount of \$1,500,000. The State Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that have suffered an unforeseen catastrophic event. The fiscal year 2009 advance will be repaid over two fiscal years, beginning in fiscal year 2010, with State Foundation revenues.

#### Auditor of State Comments

None.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

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

Capital assets of the School District should be 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 value. 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 the 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 fiscal year-end.

#### Statutory Requirements

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 \$10,000, 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 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.

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

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(continued)

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

The Board of Education has adopted formal policies regarding capital assets and materials and supplies. The Board policy defines capital assets as those tangible assets of the School District with a useful life in excess of one year and an initial cost equal to or exceeding the amount determined periodically in the School District's administrative guidelines. The Board policy also specifies that the Superintendent shall develop administrative guidelines to ensure the proper purchase, transfer, and disposal of capital assets. Purchases made for a group of assets, such as computers or chairs, where the total cost is over the amount needed for capitalization, but the unit cost is less than that needed for capitalization, will not be capitalized. Capital assets are to be recorded at historical cost or estimated historical cost.

The policy further requires the School District to maintain a capital assets accounting system. The capital assets accounting system is to provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principles, determine adequate insurance coverage and provide control and accountability. Board policy states that the Treasurer's office is responsible for the development and maintenance of the capital assets accounting system.

The School District contracts with an outside firm to maintain capital assets information. The last physical inventory to verify the existence of capital assets was performed by Valuation Engineers for 2005. The next physical inventory to verify the existence of capital assets will be performed in 2010.

The School District's capital assets policy specifies that the capitalization threshold should be determined periodically in the School District's administrative guidelines. New capital assets are tagged when received as part of the School District's accounts payable process.

The technology coordinator maintains a listing of technology equipment in the School District. All new computer equipment is delivered directly to the building. The technology coordinator is not always notified when equipment is moved throughout the School District.

The School District's capital assets policy states that depreciation shall be recorded for funded capital assets using the method(s) agreed upon by the Superintendent and the Treasurer. Currently, depreciation is computed using the straight-line method. The School District's capital assets policy outlines the useful life of assets for depreciation purposes.

The two Head Cooks perform a physical inventory of materials and supplies at the end of each month and send the inventory sheets to the Assistant to the Treasurer. The School District does not currently have any food service inventory management software but plans to evaluate purchasing a program in the future. The Assistant to the Treasurer handles the completion of all State Child Nutrition reports that are submitted to the State Department of Education. The School District also performs a year-end inventory of materials and supplies of the bus garage.

As part of a cost savings initiative, the Superintendent is using the Board Office as a central hub for the distribution of supplies. Each employee requesting supplies must submit a request including the supplies requested and the quantity requested. This enables inventory levels to be easily and closely monitored in one central location to be sure only essential supplies are ordered.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(continued)

#### Auditor of State Comments

1. The Board does not have a capitalization threshold. The School District should periodically review and update their capitalization threshold. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets. A level of \$500 to \$1,000 would be appropriate. A listing of noncapitalized assets should also be maintained as a record of insurable assets and to maintain physical accountability of those assets as well.
2. The School District's capital assets policy does not provide guidance regarding the disposal of capital assets. The capital assets policy should provide guidance on the disposal of capital assets.
3. The School District should use forms to document the purchase, disposal, and transfer of existing assets in order to track their location more efficiently.
4. 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).
5. The School District needs to maintain accountability for non-capitalized assets. The process for the verification of the existence of these assets should occur at least every two years.
6. The School District should adopt consumable inventory procedures. The procedures should include a review process to ensure that the value assigned to each item is consistent with the valuation method used for external reporting.
7. As an additional verification of the existence of capital assets and to prevent theft or loss and to confirm the accuracy of the capital asset records, a physical inventory of capital assets should be taken by the School District every one or two years.
8. The School District's capital assets policy does not identify which individual assets whose value is under the capitalization threshold should be tracked for insurance purposes only. The various departments currently decide which assets should be tracked. The School District's capital assets policy should identify which individual assets should be tracked for insurance purposes only to allow for uniform implementation among departments.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Cash Management and Investing

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

Cash received by a school district should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following business day. The reconciliations should be completed immediately upon receipt of the bank statement. Reconciling items should be specifically identified and listed with supporting documentation attached. Reconciling items such as unrecorded deposits and bank charges should be posted upon completion of the bank reconciliation.

#### Statutory Requirements

Interim cash should be invested according to Section 135.14 of the Revised Code. The deposits of public money should be insured and/or collateralized to ensure 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.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Cash Management and Investing

(continued)

#### Federal Requirements

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

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

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 Treasurer. The Treasurer reconciles the treasury with the accounting records and transfers cash among the various bank accounts as needed. The Treasurer makes all investments. The School District maintains a general checking account, a payroll checking account, and a STAROhio account.

STAROhio receives direct deposits for the Jefferson Township Local School District. The U.S. Bank general checking account receives daily deposits from the School District. Transfers are made, when necessary, from the STAROhio account into the U.S. Bank general checking account. Checks are written against the U.S. Bank general checking account for the daily operations of the School District.

At the beginning of each month, the Treasurer closes out the previous month. The Treasurer will then reconcile the bank accounts for the previous month manually. Any discrepancies are noted on the monthly cash reconciliations. The cancelled check images for the operating account and the payroll account are printed and kept in the safe in the Treasurer's office.

Voided general checking and payroll checks have void written on them by the Treasurer. These checks are then used for the monthly bank reconciliation. The voided checks are kept with the cancelled check images in the safe.

The Jefferson Township Local School Board of Education has an investment policy which authorizes the Treasurer to make investments with available monies from the funds of the School District in securities authorized by State Law. The School District's investments include a STAROhio account. In fiscal year 2009 and prior years, the only fund that received interest is the General Fund.

The School District has a petty cash fund for athletics. A check for \$500 was written out of the athletics fund to the Athletic Director on November 28, 2008 and was returned and deposited on March 18, 2009.

The School District has a depository agreement with U.S. Bank.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Cash Management and Investing

(continued)

#### Auditor of State Comments

1. The bank reconciliation completed by the Treasurer is showing a variance of over \$30,000. All variances and reconciling items should be documented and posted upon completion of the reconciliation. The reconciliation should be completed using State software to minimize errors. Also, the Board of Education currently reviews bank balances, but not monthly bank reconciliations. They should review monthly bank reconciliations, including any adjusting factors.
2. A check was written out of the Athletics Fund to the Athletic Director for petty cash used at athletic events. The School District should follow its petty cash funds policy which states that the Board of Education shall adopt a resolution to establish a petty cash fund for the athletics department. The resolution should specify the maximum amount to be placed in the fund and the maximum amount of any single expenditure from the fund. Also, the Treasurer should designate a custodian of the fund and when reimbursements are made to the fund, documentation of expenditures should be provided to the Treasurer.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

The Treasurer should periodically provide the Board of Education 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.

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

The School District uses software provided by the Metropolitan Dayton Education Cooperative Association (MDECA) which allows for standard and customized month and year-to-date reports.

During the regular monthly Board meeting, the Board members receive a finance and investment packet from the Treasurer discussing the current financial position as of the end of the prior month, the monthly financial summary report (receipts, expenditures and current fund balance for each fund), a reconciliation for the School District's bank accounts, and a report on interest income. The financial summary report is prepared by the Treasurer. Other financial reports are given according to requests 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 the Auditor of State within 150 days of the end of the fiscal year 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.

The School District has not published a notice of the availability of the financial statements in the local newspaper. The School District does plan on placing a public notice in the local newspaper announcing the availability of their financial statements in the future.



# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Financial Reporting

(continued)

#### Auditor of State Comments

1. In accordance with Section 117.38, Revised Code, the School District should publish in a local newspaper that the financial report is available for public inspection at the office of the Treasurer. The public notice may read as follows:

The (name of the annual financial report) of the Jefferson Township Local School District for the year ended (date) has been completed and is available for public inspection in the office of the Treasurer at (address) between (office hours). A copy of the report can be provided upon request.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Recording Official Proceedings

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

The School District's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board's decisions. Minutes of proceedings should be approved at the subsequent meeting. A resolution should be limited to one subject, which should be clearly expressed in its title. Proposed legislation is to be drafted and available for all 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.

#### School District's Method of Recording Official Proceedings

The Board of Education holds their regular meetings on the second Monday of each month. The Treasurer takes notes during the Board of Education meetings. From those notes, the Treasurer 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, and votes on each resolution. The minutes are approved by the Board at the first meeting in the following month and then the minutes are signed by the President of the Board and the Treasurer. Typed minutes and resolutions are kept in the Treasurer's office.

#### Auditor of State Comments

1. The Board of Education approves most items through motions rather than formal resolutions. The Board of Education and the Treasurer should review current practices with legal counsel, discuss proper content and format for resolutions, and what actions can be approved by motions and and what actions should be approved by resolutions.

# Jefferson Township Local School District – Montgomery County

## Financial Accounting Report

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### Conclusion

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

It is the opinion of the office of the Auditor of State that the current methods of the accounting and financial reporting of the Jefferson Township 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.



**Mary Taylor, CPA**  
Auditor of State

**JEFFERSON TOWNSHIP LOCAL SCHOOL DISTRICT**  
**MONTGOMERY 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**  
**FEBRUARY 11, 2010**