



**Dave Yost • Auditor of State**

**Ledgemont Local School District  
Geauga County, Ohio**

**Report on Accounting Methods**

**Local Government Services Section**

**Ledgemont Local School District, Geauga County  
Report on Accounting Methods**

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# Dave Yost • Auditor of State

## CERTIFICATION

On November 9, 2010, the Ledgemont 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 Ledgemont Local School District.

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

A handwritten signature in black ink that reads "Dave Yost".

DAVE YOST  
Auditor of State

October 23, 2012

# Ledgemont Local School District – Geauga 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 Ledgemont 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 Ledgemont 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.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Governance Overview

Ledgemont 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 to 585 students mandated by the State and Federal agencies.

On November 9, 2010, 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 Ledgemont 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.

# Ledgemont Local School District – Geauga 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 adopted on February 28, 2011, and includes the power to approve contracts entered into by the Ledgemont Local School District for personal services and employment contracts for all positions other than temporary positions and all purchases in excess of \$5,000.

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.

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

Estimated Resources: By April 1, the Board accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's official certificate of estimated resources which includes the estimated beginning unencumbered fund balance and the estimated revenue of each fund. Prior to June 30, the school district must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year; however, any reserve balance account and the principal of any 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. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriations established for each fund must be within the most recent certificate as certified by the county budget commission and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter appropriations at the legal level of control must be approved by the Board. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

# Ledgemont Local School District – Geauga 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 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 pass appropriations at a more detailed level. The legal level of control is a discretionary decision to be made by the Board based on the degree of control the board wishes to maintain over the financial activity of the School District.

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

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

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



# Ledgemont Local School District – Geauga 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 Ohio Department of Education. The projection must contain the information and be in a format prescribed by the Ohio 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 Ohio 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. Each school district must maintain sufficient documentation to support these changes.

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

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.

# Ledgemont Local School District – Geauga 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). The Board shall adopt as part of its annual appropriation measure a spending plan setting forth a five year projection of revenue and expenditures of the general fund. The School District's policies do not address the level of control at which the Board approves appropriations or the nature of the control, approval and documentation for the allocation of appropriations.

The Geauga County Budget Commission has waived the requirement that the School District adopt a tax budget. In place of the tax budget, the budget commission requires alternative tax budget information which includes the following schedules: Division of Taxes Levied, Statement of Fund Activity for the General fund, Bond Retirement fund and any other funds requesting property tax revenue, Statement of Fund Activity by Fund for funds with revenue other than local taxes, Schedule of Indebtedness and Tax Anticipation Note Schedule. The alternative tax budget information for fiscal year 2012 was adopted by the Board on January 10, 2011. Once the alternative tax budget is adopted, it is filed with the budget commission no later than January 20. The budget commission determines the amount of millage and calculates the estimated revenue by levy.

On March 14, 2011, the Board accepted, by resolution, the tax rates as determined by the budget commission and received the budget commission's certificate of estimated resources for fiscal year 2012.

After the close of the fiscal year, the Treasurer submits to the County Auditor the unencumbered cash balance of each fund and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances from the preceding year. The first amended certificate of estimated resources for fiscal year 2012 was approved by the budget commission on August 24, 2011.

On June 13, 2011, the Board of Education adopted a temporary appropriation measure, at the fund level for all funds, prior to the start of the new fiscal year. The temporary appropriations are set at 25 percent of the prior fiscal year's expenditures. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted. The permanent appropriation measure was adopted on September 12, 2011.

The Treasurer prepares appropriations based upon prior years' history and currently known facts. 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 two to six weeks, the Treasurer receives a certificate from the County Auditor certifying that appropriations from each fund do not exceed the official estimate of resources. The Treasurer attaches this certificate to the amended certificate and files both in a binder. The Treasurer also prepares and submits a 412 Certificate which certifies that the School District has sufficient revenue to support those appropriations.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Budgetary Process

(Continued)

Appropriations for all student activities are set at the fund level in the appropriation measure. In recent years, the Board has not approved the Budget and Purpose Statements for those student activity programs it wishes to be operational. The Budget and Purpose Statements are prepared by the activity advisor and approved by the building principal and Superintendent. The form identifies the activity, building, purpose, fund balance at the start of the fiscal year, total estimated revenues, total estimated expenditures and estimated fund balance at the end of the fiscal year.

All Board approved temporary and permanent appropriations are entered into the computer system after they are passed but before the School District has received the certificate from the County Auditor that appropriations from each fund do not exceed the official estimate of resources. This is due to the timing of receiving the certificate from the County Auditor.

The Treasurer compares estimated revenues and expenditures to actual amounts on a monthly and cumulative basis; however this comparison is not documented.

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

### 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 nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. 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; however, this comparison is not documented. The Treasurer should document the comparison of appropriations to estimated resources. This comparison should be presented to the Board upon request for supplemental appropriations demonstrating the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.
3. The estimated receipts in the accounting system do not agree with the most current supporting documents for fiscal year 2011. The Treasurer should enter all estimated receipts in the system and compare budgeted amounts in the accounting system to the current estimated receipts certified by the County Budget Commission to ensure that recorded amounts are accurate.
4. The Board does not approve the Budget and Purpose Statements for those student activities that it wishes to be operational. The Board should approve the Budget and Purpose Statements during a board meeting at the beginning of the school year.

# Ledgemont Local School District – Geauga 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 of which are remitted to the School District from the Ohio Department of Education, and income taxes collected and remitted by the Ohio Department of Taxation. The School District also collects student fees and admissions for athletic events at the two school buildings and charges for school lunches served in their cafeterias. Monies are received by the School District via wire transfer and through various cash collection sites throughout the School District. All employees that handle money are bonded by a blanket policy. The Treasurer is individually bonded through Ohio Casualty.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Revenue Activity

(Continued)

#### Building Receipts:

The building secretaries hand receipts at the various school buildings. School fees/fines are turned into the building secretary. The employee prepares a three part handwritten receipt for each individual receipt collected. The white copy of the handwritten receipt is given to the individual, the yellow copy of the handwritten receipt is sent to the Treasurer's office with the deposit and the pink copy of the handwritten receipt is kept in the receipt book.

All School District buildings use the following procedures. The employee prepares a pay-in order for each type of daily receipt. The pay-in order includes the date, dollar amount of the receipt, a description of the receipt, the corresponding handwritten receipt numbers and the revenue account code for posting. The employee recounts all monies and prepares a two part deposit slip. The monies along with the yellow copies of the handwritten receipts, the pay-in orders and the two part deposit slip are put in a seal proof plastic bank bag and placed in the building safe. Once a day, the high school cashier brings all high school building receipts to the Treasurer's office. All elementary/middle school building receipts are removed by the Treasurer or Treasurer's Assistant once a day from the building safe.

Athletic Event Receipts: The School District charges an admission fee for high school and middle school fall/winter athletic events. Tickets are only sold for high school events. The high school food service cashier sells the tickets for high school athletic events. No tickets are given out for middle school events.

The High School Athletic Director is in charge of the collection for high school athletic events. A Ticket Sales Report form is used to reconcile the cash received to the tickets sold. Prior to the ticket sales, the High School Athletic Director will fill out several items on the Ticket Sales Report form including the date, the name of the athletic event, the price per adult and student ticket, and the adult and student ticket starting numbers. When a ticket is sold, a ticket is given to the buyer. After all sales are completed, the ticket seller is responsible for counting the money and completing the Ticket Sales Report form. The ticket seller fills in the adult and student ticket ending numbers, the number of adult and student tickets sold, and the total cash received for the tickets. The Ticket Sales Report is initialed by the ticket seller. The unsold tickets, the money and the Ticket Sales Report form are given to the High School Athletic Director. The High School Athletic Director recounts the money and compares the total to the amount on the Ticket Sales Report. If any discrepancies occur, the amount of the discrepancy is noted on the form. The High School Athletic Director prepares a three part handwritten receipt and gives the white copy to the ticket seller. The High School Athletic Director keeps the money along with the unsold tickets in a lock box which is placed in a locked safe at the high school building. The following day, the High School Athletic Director fills out a pay-in order and two part deposit slip for the receipts. The receipts along with the pay-in order, the Ticket Sales Report form, the yellow copy of the handwritten receipt and the deposit slip are turned into the Treasurer's office in a seal proof plastic bank bag. The unsold tickets are kept in a locked file cabinet in the High School Athletic Director's office.

The Middle School Athletic Director is in charge of receipt collection for middle school athletic events. The Middle School Athletic Director collects the admission fees at the gate and counts all monies. The monies are placed in a locked safe at the elementary/middle school building. The following day, the Middle School Athletic Director fills out a pay-in order and two part deposit slip for the receipts. The receipts along with the pay-in order and deposit slip are turned into the Treasurer's office.

## Ledgemont Local School District – Geauga County

### Financial Accounting Report

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#### Revenue Activity

(Continued)

Student Activity Receipts: At the beginning of each year, the student activity advisor prepares a Budget and Purpose Statement which lists the planned fundraisers and the anticipated revenue and expenditures for each fundraiser. The Budget and Purpose Statement is approved by the building principal and Superintendent.

The student activity advisors must submit a Fundraiser Request Form for each fundraiser which details the proposed project, quantity of goods to be ordered and projected sales of the fundraiser. The student activity advisor signs and dates this form and submits it to the building principal for approval. After the building principal signs the Fundraiser Request Form it is sent to the Superintendent for his signature. Upon the collection of all three signature approvals, the fundraiser may commence.

Upon receiving fundraiser monies, the student activity advisors prepare a handwritten receipt to give to the student. Once a day, the student activity advisor recounts the monies and prepares a pay-in order and two part deposit slip. The receipts along with the pay-in order, yellow copies of the handwritten receipts and the deposit slip are turned into the Treasurer's office within 24 hours.

Once the fundraiser is completed and all monies have been deposited, the student activity advisor fills out a Sales Project Form which details the amount of total sales, the cost of goods sold, any goods not sold, and the amount deposited with the Treasurer. The student activity advisor must sign the bottom of the Sales Project Form and submit it to the building principal for approval. After the building principal signs the Sales Project Form it is sent to the Superintendent. After the Superintendent signs the form it is filed in the Treasurer's office.

The School District holds various fundraisers. For most fundraisers, goods are only ordered after customer orders and money have been collected. Goods are ordered ahead of time for some customized merchandise fundraisers such as tee-shirt and sweatshirt sales. For fundraisers involving customized merchandise ordered ahead of time, the unsold goods cannot be returned to the vendor. The unsold merchandise is kept as inventory to be sold at another time. The student activity advisor writes in the unsold amount to be kept as inventory on the Sales Project Form.

Each month, the Treasurer sends a FINDET and FINSUM report generated from the accounting system to the building principals. The building principals make copies of these reports and distribute them to the student activity advisors. The FINDET report shows the detailed transactions for the student activity's account. The FINSUM provides a summary of the student activity's receipts, expenditures and current fund balance. The student activity advisors use these reports to reconcile their total recorded deposits and expenditures to the amounts posted to the system. If there is a discrepancy, the student activity advisor notifies the Treasurer's office.

Receipts from Student Fees and Fines: The School District maintains and tracks student fees by using the student information system which is accessed through the School District's A-site. The system includes information for each student including the student's name, grade level, homeroom teacher, courses and other information. The master fee schedules are entered into the system which automatically adds the appropriate fees to each student based on the information entered for the student.

Elementary/middle school students are charged a flat fee based on their grade level. High school students are charged standard fees for certain classes, such as chemistry and home economics.

## Ledgemont Local School District – Geauga County

### Financial Accounting Report

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#### Revenue Activity

(Continued)

High school students turn their fee money directly into the building secretary. The elementary/middle school students may turn in their fee money to their teacher who turns it into the building secretary. In some cases, the student's parents will come in and pay the fee directly to the building secretary.

Upon receiving the fee money, the building secretary prepares a handwritten receipt to give to the student. The building secretary will then enter the amount received into the student information system which updates the student's outstanding fees balance. Each day, the building secretary recounts the money and prepares a pay-in order and a two part deposit slip. The receipts along with the pay-in order, yellow copies of the handwritten receipts and the deposit slip are turned into the Treasurer's office. Prior to the end of the school year, the building secretary sends a letter to the student's home requesting payment of the unpaid fees. A hold is placed on the student's report card until the outstanding fees have been paid.

The teachers notify the building secretaries of students that owe fines for damaged books or instruments. The building secretary keeps a spreadsheet of each student's outstanding balance. A letter is sent to the student's home requesting payment of the fine. If the fine money is not received prior to the end of the school year, the student's report card is held until payment is received.

The School District has a pay to play fee of \$150 per student per activity per season. Payment is made to the coach by check, money order or cash to the Athletic Director. The Athletic Director prepares the pay-in order form and deposit slip and the money is turned over to the building secretary for safekeeping and deposit into the bank. On occasion, the athletic boosters will have fund raising events. If a student participates, any proceeds collected from the event will be allocated to the student(s) according to IRS regulations. The booster club will give the Athletic Director the check along with a list of students and the amount to be applied to each student. The Athletic Director keeps a spread sheet as to what is owed by each student until the full amount is paid at the start of the activity.

#### Cafeteria Receipts:

Students pay for breakfast or lunch with cash daily or they may prepay. If students choose to prepay, they give their monies to the cashier during breakfast or lunch time. At the elementary/middle school, occasionally a student will give lunch money to their teacher who turns it in to the building secretary. The building secretary will then bring the money to the cashier.

The School District maintains a database system for tracking student school breakfast and lunch sales. Each student in the School District is entered in the system. The system contains information including the student's name, grade, eligibility status (free, reduced or fully paid), pin number and a picture of the student. The system updates and tracks each student's lunchroom account balance.

All students are given a pin number which differentiates between free, reduced and fully paid lunches. The students enter their pin number into a pin pad and the cashier enters the transaction into the system. If the student has prepaid their breakfast or lunch, the money is taken directly out of their account. If the student has not prepaid and is not eligible for a free lunch, the student gives their lunch money to the cashier.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Revenue Activity

(Continued)

The database system generates lunchroom reports which total meals served and monies collected. The cashier counts the money and closes out and balances the cash register at the end of each lunch day. The cashier then prepares a two part deposit slip for the daily receipts. The cashier puts the deposit slip along with the monies in a seal proof plastic bank bag and gives it to the Cafeteria Manager. The Cafeteria Manager brings the sealed bank bag to the Treasurer's office. The Treasurer or Treasurer's Assistant signs a cafeteria daily receipt log to verify receipt of the deposit. Once a day, the Treasurer or Treasurer's Assistant takes the deposit to the bank. The top copy of the deposit slip goes to the bank and the yellow copy is stapled to the bank receipt and filed in the Treasurer's office. After the deposit has been made, the Treasurer identifies the proper account codes and posts the cafeteria receipts to the system. A system receipt is generated and printed out.

At the end of each month, the Cafeteria Manager sends the database generated lunchroom reports to the Treasurer. The Treasurer uses the database generated lunchroom reports to verify that the correct amounts for receipts have been posted for the month.

The Cafeteria Manager uses the lunchroom system reports to complete Site Claim Form reports on the computer and submit them to the Ohio Department of Education for Federal and State meal subsidies.

### Treasurer's Office:

The daily building receipts are placed in seal proof plastic bank bags along with the yellow copies of each handwritten receipt, the pay-in orders and the two part deposit slip. Once a day, the high school cashier brings all high school building receipts to the Treasurer's office and the Treasurer or Treasurer's Assistant removes all elementary/middle school building receipts from the building safe.

The Treasurer's office receives State foundation, property taxes, property tax allocations and most Federal, State by wire transfer to the School District's general checking account. The Treasurer reviews the online daily activity report for the general checking account for wire transfers that have been received. The Treasurer logs onto the USAS application website and clones a prior system receipt to pull up the previously used account codes. The Treasurer books the gross receipts to the proper revenue account. Any deductions, such as administrative fees, are booked as memo expenditures. The Treasurer verifies the gross amounts booked for receipts net of expenditures to the amount wire-transferred to the general checking account.

The Treasurer's office directly receives payments for the sale of capital assets. Typically, these payments are received through the mail or by individuals coming into the Treasurer's office. The Administrative Assistant opens all mail received by the Treasurer's office, unless addressed to a specific person, and distributes it. The Administrative Assistant removes the receipts and gives them to the Treasurer who adds all checks and counts the cash. The Treasurer then fills out a deposit slip for the receipts.

Each afternoon, the Treasurer or Treasurer's Assistant takes all daily deposits to the bank. The Treasurer waits for the deposit to be counted and the amount validated by the bank. The top copy of the deposit slip goes to the bank and the non-carbon copy is stapled to the bank receipt and filed in the Treasurer's office.

After the deposit has been made, the Treasurer clones a prior daily receipt, determines the proper account codes and posts the receipt to the system. A system receipt is generated and printed out. The system receipt is stapled to the corresponding pay-in orders, yellow copies of the handwritten receipts, the bank receipts and the yellow copies of the deposit slips and filed numerically in the Treasurer's office.



## Ledgemont Local School District – Geauga County

### Financial Accounting Report

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#### Revenue Activity

(Continued)

Receipt of State Foundation: State Foundation monies are wire-transferred bi-monthly to the School District's general checking account from the Ohio Department of Education. The foundation settlement sheets which identify the various sources of State aid are printed from the Ohio Department of Education's web page by the Treasurer. The amount of the wire transfer is compared by the Treasurer to the net amount listed on the foundation settlement sheet. Generally, foundation settlements include restricted and unrestricted receipts and tuition payments from other school districts. The Ohio Department of Education also deducts from each settlement pension contributions and tuition payments due to other school districts and community schools. The Treasurer clones a prior foundation system receipt to determine the proper account codes and posts the receipts and foundation deductions to the system. The foundation deductions are posted as memo expenditures within the system. The Treasurer prints out the system receipt, staples it to the foundation settlement and files it.

Receipt of Property Taxes: The Treasurer identifies the proper account codes for gross property tax receipts and deductions by cloning a prior property taxes system receipt and using information from the tax settlement sheet. The Treasurer verifies that the net property tax receipts on the tax settlement sheet match the amount wire transferred from the County. The gross property tax receipts and deductions are booked to the general fund. The tax settlement sheet and the system receipt are stapled together and filed in the Treasurer's office.

Receipt of Property Tax Allocations: Homestead and rollbacks are wire-transferred twice a year to the School District's general checking account. The Treasurer identifies the account codes for gross receipts and deductions by cloning a prior homestead and rollback system receipt and using information from the tax settlement sheet. The homestead and rollback amount found on the tax settlement minus the amount deducted for administrative fees is compared to the amount wire-transferred to the bank.

Other property tax allocations, including utility deregulation and tangible personal property loss reimbursement are received by wire transfer through foundation. The Treasurer identifies the proper account codes for gross receipts and deductions using information from the tax settlement sheet. The Treasurer verifies that the net property tax allocations on the tax settlement sheet match the amount wire transferred through foundation.

Receipt of Income Taxes: The Ohio Department of Taxation collects and remits income taxes to the School District. Quarterly, the School District receives a wire transfer from the Ohio Department of Taxation for the previous quarter's income tax receipts. The Treasurer identifies the proper account codes for the income tax receipts and by cloning a prior income taxes system receipt. The Treasurer prints the quarterly distribution from the Ohio Department of Taxation's website the month following the quarter. The Treasurer records the income taxes net of deductions. The net income tax receipts are booked to the general fund. The quarterly distribution print out and system receipt are stapled together and filed in the Treasurer's office.

Receipt of Grant Monies: The School District participates in various Federal and State grant programs. The Superintendent enters the budget for each grant into the Ohio Department of Education's (ODE) website under the Comprehensive Continuous Improvement Planning (CCIP) System. The CCIP System is a unified grants application and verification system provided by the Ohio Department of Education. Monthly, the Treasurer reviews the FINSUM report, which is a summary of all fund activity and ending balances, and when cash is needed from a particular grant the Treasurer completes an on-line CCIP Project Cash Request.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Revenue Activity

(Continued)

The Treasurer checks the ODE website several times a month to view the CCIP grant monies that were wire-transferred to the School District's bank account. The ODE website has a "Details" button that can be clicked for each payment that provides detailed receipt information for that specific ODE payment. By reviewing the detailed information, the Treasurer can identify the grant proceeds. The amount wire-transferred per the Ohio Department of Education's website is also matched to the bank statement by the Treasurer.

Local grant monies are received in check form by the Treasurer's office. Then the process under the Treasurer's Office section of the revenue activity is followed.

*Receipts from Sale of Capital Assets:* Monies from the sale of capital assets are usually received by the Treasurer or the Treasurer's Assistant, typically in cash or check form. If the individual requests a receipt, the Treasurer or the Treasurer's Assistant will prepare a handwritten receipt.

### 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 and given to all departments involved in the receipt and processing of revenues.
2. The School District posts income tax receipts, net of deductions. The School District should post income tax receipts at gross and the corresponding deductions.

# Ledgemont Local School District – Geauga 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. 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 of Education.

# Ledgemont Local School District – Geauga 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 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.

# Ledgemont Local School District – Geauga 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 \$25,000 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 \$75,000.

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 of State, 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 not payment shall be made with respect to any contract to which this section applies unless such statement has been 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."

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Purchasing Process

(Continued)

Financial Planning and Supervision Commission - Under Section 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

The Board has adopted formal policies for the purchasing process. Board policy states that monies under the jurisdiction of the Board of Education may not be expended except upon a warrant drawn against a specific appropriation and against a specific fund. The policies address procedures for receiving quotations and bids, awarding bids, issuing “Then and Now” purchase orders and issuing blanket purchase orders.

When goods or services are needed at a school building, a manual requisition form is completed. This form includes the originator, vendor, date of request, type and quantity of items requested, price, shipping costs and expenditure code. The manual requisition form is submitted to the building principal who approves the requisition by signing it. The requisition is then forwarded to the Treasurer’s office for the Superintendent’s approval.

An active vendor list is maintained by the Treasurer’s office. New vendors are added to the system when necessary. The Treasurer and the Treasurer’s Assistant are the only individuals who can add new vendors to the system. For new vendors, the employee fills out the name and address of the vendor on the manual requisition form. The Treasurer’s Assistant assigns the vendor a vendor number and enters the new vendor’s information into the computer system. The Treasurer’s Assistant will also send an IRS Form W-9 to the vendor, requesting the vendor’s taxpayer identification number. The vendor fills out the IRS Form W-9 and sends it back to the Treasurer’s office. The School District does not perform a search of the Auditor of State’s web site to verify that new vendors have no outstanding, unpaid findings for recovery. The School District also does not perform a search of the United States Department of State’s terrorist exclusion list website.

Information from the signed requisitions is entered into the system by the Treasurer’s Assistant to create purchase orders. The Treasurer’s Assistant assigns a purchase order number based on the next available number in the manual purchase order log book she keeps. The Treasurer’s Assistant enters the purchase order number into the system and handwrites the number on the corresponding requisition form. The accounting system will not allow the same purchase order number to be used more than once. If a previously used purchase order number is accidentally entered, 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.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Purchasing Process

(Continued)

Financial Planning and Supervision Commission - Under Section 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.

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The Board has adopted formal policies for the purchasing process. Board policy states that monies under the jurisdiction of the Board of Education may not be expended except upon a warrant drawn against a specific appropriation and against a specific fund. The policies address procedures for receiving quotations and bids, awarding bids, issuing “Then and Now” purchase orders and issuing blanket purchase orders.

When goods or services are needed at a school building, a manual requisition form is completed. This form includes the originator, vendor, date of request, type and quantity of items requested, price, shipping costs and expenditure code. The manual requisition form is submitted to the building principal who approves the requisition by signing it. The requisition is then forwarded to the Treasurer’s office for the Superintendent’s approval.

An active vendor list is maintained by the Treasurer’s office. New vendors are added to the system when necessary. The Treasurer and the Treasurer’s Assistant are the only individuals who can add new vendors to the system. For new vendors, the employee fills out the name and address of the vendor on the manual requisition form. The Treasurer’s Assistant assigns the vendor a vendor number and enters the new vendor’s information into the computer system. The Treasurer’s Assistant will also send an IRS Form W-9 to the vendor, requesting the vendor’s taxpayer identification number. The vendor fills out the IRS Form W-9 and sends it back to the Treasurer’s office. 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. The School District also does not perform a search of the United States Department of State’s terrorist exclusion list website.

Information from the signed requisitions is entered into the system by the Treasurer’s Assistant to create purchase orders. The Treasurer’s Assistant assigns a purchase order number based on the next available number in the manual purchase order log book she keeps. The Treasurer’s Assistant enters the purchase order number into the system and handwrites the number on the corresponding requisition form. The accounting system will not allow the same purchase order number to be used more than once. If a previously used purchase order number is accidentally entered, 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.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Purchasing Process

(Continued)

The purchase orders are printed out by the Treasurer's Assistant. The purchase order is first signed and dated by the Treasurer. Next, the purchase order must be signed by the Secretary of the Fiscal Oversight Commission who visits the School District once a month. 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 Fiscal Oversight Commission. If the contract is over \$25,000 it must also be approved by the Board through resolution. Purchase orders are used for all purchases and contracts of the School District.

The computer system will not allow a purchase order for an amount which exceeds appropriations. An error message such as "no appropriation set up for budget" is displayed. The Treasurer's Assistant takes the purchase order to the Treasurer who reviews the budget and appropriations to determine whether the fund has sufficient cash. If there is cash available in the fund, the Treasurer will make a transfer between the various appropriation accounts to cover the deficiency in the accounts.

The Treasurer's office distributes three copies of the purchase order form. The white (original) copy of the purchase order is either mailed, faxed or hand delivered to the vendor to order the goods. The yellow copy of the purchase order is filed in the Treasurer's office. The pink copy of the purchase order form is sent to the building where the requisition originated.

The School District purchases goods and services with blanket purchase orders as needed. For the School District, blanket purchase orders are used in areas such as utilities, maintenance supplies and medical and life insurances. The Treasurer issues blanket certificates under the old statutory restriction of 90 days or \$5,000. Expenditures made against blanket purchase orders are tracked by running a query on the accounting system. The query details the expenditures made against each purchase order and the amount remaining on the purchase order.

"Then and Now" purchase orders are prepared for purchases without prior approval. "Then and Now" purchase orders must be approved by the Board if greater than \$1,000. If they are less than \$1,000, the Treasurer has the authority to approve such purchase orders. However, the Treasurer only approves the use of "Then and Now" purchase orders if the purchase was necessary and appropriations are available. If not, the amount is not approved and the employee who initiated the purchase is responsible for the payment.

Every three months, the Treasurer reviews the open purchase orders to determine whether a purchase order should be closed or whether invoices still exist against the purchase order. 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 are cancelled along with the corresponding encumbrances.

Contracts which exceed \$25,000 are given to the Treasurer to make the necessary arrangements for public bidding. The Board authorizes the School District to advertise for bids. Interested vendors notify the Treasurer's office and they are sent a bid packet. Bids are received by a set date at a bid opening and a list of vendors and bid amounts is created. The Treasurer and the Superintendent review and discuss the information. The Superintendent makes a recommendation to the Board. The Board, by resolution, awards the contract. The Treasurer does not prepare a 412 Certificate for major contracts. When feasible, purchases or contracts under \$25,000 that are purchased through the Treasurer's office are based on price quotations submitted by at least three vendors.



# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Purchasing Process

(Continued)

#### Auditor of State Comments

1. The School District does not perform a search of the Auditor of State's Findings for Recovery website. The School District should perform a search of the Auditor of State's Findings for Recovery website and keep a printed copy of the results of the search on file as proof of verification of vendors.
2. The School District does not perform a search of the United States Department of State's terrorist exclusion list website. The School District should perform a search of the United States Department of State's terrorist exclusion list website and keep a printed copy of the results of the search on file as proof of verification of vendors.
3. Section 5705.41(D)(3), Revised Code, allows the fiscal officer to certify expenditures in an amount not in excess of an amount established by resolution adopted by a majority of the members of the board of education. This type of certification, referred to as a blanket certification (blanket purchase orders), has not been authorized by the board of education. The Treasurer continues to issue blanket certificates under the old statutory restriction of 90 days and \$5,000. The board of education should adopt a resolution that identifies the maximum dollar amount for blanket certifications/purchase orders.
4. The School District does not issue 412 certificates for qualifying contracts. Section 5705.412, Revised Code, requires the School District to certify, prior to entering into a qualifying contract, that payment of the obligation will not affect the School District's ability to maintain all personnel and programs for the term of the contract. The certificate is to be attached to the qualifying contract and signed by the Treasurer, Superintendent, and President of the Board. If the School District is in a state of fiscal emergency, the certificate shall be signed by a member of the School District's Financial Planning and Supervision Commission who is designated by the Commission for this purpose. The certificate is to be attached to any qualifying contract.

# Ledgemont Local School District – Geauga 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. 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 \$3,000, 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.”

# Ledgemont Local School District – Geauga 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 employee who initiated the purchase requisition and the Administrative Assistant 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 pink copy of the purchase order. If not all goods are received or incorrect items are received, the employee will contact the vendor and resolve the issue accordingly. Once the goods or services have been verified as received, the pink copy of the purchase order is marked “ok to pay” and signed by the employee. The pink copy of the purchase order along with the packing slip is then sent to the Treasurer’s office.

The packing slip, manual requisition and the pink and yellow copies of the purchase order waiting to be matched to the invoice are paper clipped together and filed alphabetically in a separate vendor file known as the “to be paid file” in the Treasurer’s office. When the invoice is received, it is filed with the corresponding documents.

The majority of invoices are received directly by the Administrative Assistant in the Treasurer’s office; however, occasionally some invoices will arrive at the school buildings. When this happens, the invoice will be sent to the Treasurer’s office. Upon receiving the invoice, the Administrative Assistant matches it to the pink copy of the purchase order signed by the employee to make sure that everything invoiced was actually received and compares the items, quantities, and unit price on the pink copy of the purchase order to the invoice. The Treasurer’s office will not pay an invoice without a signed pink copy of the purchase order. If an invoice is wrong, the Administrative Assistant investigates why there is a difference and contacts the vendor to notify the vendor of the error. The error is then resolved accordingly. If an employee has purchased and received goods prior to a purchase order being completed a “Then and Now” purchase order is used. The Treasurer or Administrative Assistant will contact the building principal to determine the reason the purchase was made and to receive approval for the purchase. After receiving the building principal’s approval, the Treasurer will complete a “Then and Now” purchase order. Board approval is required if the then and now purchase order is over \$1,000.

If the invoice amount exceeds the purchase order by less than 10 percent, the purchase order is marked complete and the invoice is paid in full. However, if the invoice amount exceeds the purchase order amount by 10 percent or more, the Administrative Assistant will present the purchase order to the Treasurer. The Treasurer or the Administrative Assistant will call the vendor to determine why the amount on the invoice is higher. The price difference is usually due to shipping costs that were not included in the purchase order. If the discrepancy resulted from an error by the School District, the Treasurer will cross out the original total amount on the purchase order, write in the new total and initial the purchase order for approval.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Cash Disbursements

(Continued)

Once an invoice has been approved for payment, all documentation is given to the Treasurer's Assistant who creates a voucher in the School District's computer system by entering the vendor, account code, invoice number, purchase order number, and amount of the invoice.

Payment is not made on an order until all goods have been received. If only partial goods are received, the employee holds onto the pink copy of the purchase order. Once the remainder of the order is received, the pink copy of the purchase order is signed and sent to the Administrative Assistant who compares it to the invoice.

Prior to printing checks, the Treasurer's Assistant runs an invoice list report which is given to the Treasurer to review. The Treasurer verifies that sufficient funds are available to pay the invoices and approves the printing of checks.

Checks are normally printed every one to two weeks. The blank check stock paper is kept in a locked file cabinet in the Treasurer's office. The check stock paper is completely blank, not pre-numbered and not containing school name, account number or any other information. All this information is printed on the check through the check printing process. The Treasurer's Assistant uses a computer program called "create-a-check" to generate, electronically sign and print the checks. The check printing program is user name and password protected. The Treasurer and the Treasurer's Assistant have security access for printing checks. The Treasurer's Assistant prints the checks and gives them to the Treasurer to review. The Treasurer compares the printed checks to the vouchers to ensure that the checks are payable to the same vendor and the amount agrees to the invoice. After the Treasurer reviews the checks, the Treasurer's Assistant mails the check along with the remittance form and removes the voucher packet from the "to be paid file" and attaches a copy of the check to the front of it.

All checks have two copies and are distributed in the following manner:

1. The white (original) copy of the check is sent to the vendor along with the remittance form for payment.
2. The yellow copy of the check is attached to the voucher packet and filed in the Treasurer's Office.

The voucher packet includes the yellow copy of the check, the invoice, the pink and yellow copies of the purchase order, the manual requisition form, and any packing slips. All voucher packets are filed numerically by check number in the Treasurer's office.

Debt payments are all made by checks processed by the Treasurer's Assistant.

If a check is voided, the Treasurer's Assistant handwrites "VOID" on the check. The voided checks are filed in numerical order in the Treasurer's Office. The voided checks are entered into 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 and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

# Ledgemont Local School District – Geauga 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 Personnel office files should contain current contracts, information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws. Safeguards should be in place to ensure that the same individual does not hire personnel, authorize pay rates, process payroll, generate and distribute pay checks, and reconcile the bank accounts.

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

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

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

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

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

Section 3319.12, Revised Code, requires each Board 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 Ledgemont Local School District are represented by the Ledgemont Association of Support Staff.

# Ledgemont Local School District – Geauga 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; and 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 Board has adopted formal policies for the payroll process regarding salary deductions and expense reimbursements. The employment of all School District personnel must be approved by the Board. Deductions are made from an employee's paycheck upon proper authorization on the appropriate form.

All full and part-time employees are compensated biweekly. There are approximately 71 full and part-time employees within the School District. The School District's pay period for all employees begins on Sunday and ends on Saturday, 14 days later. Employees are paid on Thursday, eleven days after the pay period ending date. Any overtime or extra time earned during the pay period is paid in the following pay period.

In addition to their bi-weekly pay, employees may receive additional amounts along with their regular compensation for supplemental contracts, extra pays or longevity. Direct deposit is mandatory for all employees. Each pay employees receive a direct deposit notification form 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.

All certified and non-certified employment applications are received and kept on file by Administrative Assistant in the Treasurer's office. Recommendations for employment are made to the Board of Education by the Superintendent and are recorded in the minutes by the Treasurer. Copies of all employee records, transcripts, licenses, and evaluations, financial data, such as withholding forms and other payroll related data are kept in a personnel file in the Treasurer's office.

The School District's employees can be categorized under one of six payroll groups: administrators, certified, classified, other employees, supplemental and substitutes. Each of these payroll groups are further described in the following paragraphs.

Administrators: Administrators include the Superintendent, Principals, Treasurer and Treasurer's office employees and department supervisors. Individual administrative contracts are prepared by the Administrative Assistant in the Treasurer's office based upon contract provisions approved by the Board of Education. The contract provisions establish the annual rate of pay, annual vacation days to be credited, and job duties and expectations for each employee. In addition, the contract provisions state the Board will provide the employee with a \$50,000 term life insurance policy and all other benefits at least equal to those provided for certified staff. The contracts are reviewed and approved by the Board of Education. Contracts for the Superintendent, Treasurer and Principals typically run from August through July of the subsequent year or years. Contracts are paid over twenty-six pays. The signed contracts are kept on file in the Treasurer's office.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Ledgemont Local School District and the Ledgemont Local Education Association. The present negotiated agreement covers the period March 1, 2011 through August 31, 2013. The negotiated agreement established 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 to be credited and sick leave accrual amounts for certified employees. Certified employees do not earn vacation.

Individual teacher contracts are prepared by the Administrative Assistant. The employee receives two copies of the contract, one copy is to be signed by the employee and returned to the Treasurer's office and the other copy is for the employee's records. The contracts are approved by the Board and signed by both the Treasurer and the Board President. The contracts are kept on file with the Treasurer's office. The teachers' contracts are normally distributed in May prior to the end of the school year. After an employee has entered into a continuing contract, only a salary notification letter is given to the employee in the following years. If employees disagree with the contract amount on the salary notice, they can contact the Treasurer's office to resolve the issue.

From the individual contracts and salary notices, the Administrative Assistant prepares a contracts spreadsheet listing each employee and their contract amounts. This contracts spreadsheet is given to the Treasurer's Assistant who manually enters the contract amounts into the payroll system. The Treasurer checks the amounts entered by the Treasurer's Assistant. The payroll system calculates the amount to be paid to each employee over twenty-six pays.

For any change that results in a pay schedule adjustment, the teacher is required to contact the Treasurer's office so contract changes can be processed. The Treasurer's office requires the teacher to provide a copy of their transcript to support the change prior to September 1 of the new contract year. After receiving support for the change, the Treasurer will update the employee's contract amount in the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays.

Classified Employees: Salaries and benefits for custodians, bus drivers, mechanics, cafeteria workers, secretaries, and aides are governed by a contract negotiated between the Ledgemont Local School District and the Ledgemont Association of Support Staff. The present contract covers the period from September 1, 2011 through August 30, 2013.

The contract sets forth the hourly rates for classified positions. The contract also sets forth the sick leave accrual amount, and the amount of vacation and personal leave to be credited annually. In addition, the contract defines overtime at one and a half times the employee's regular rate. Employees are considered full time if they work twenty or more hours per week.

Individual classified contracts are prepared by the Administrative Assistant. As per negotiated agreement, classified employees are given a one-year contract in the first year of employment. Following the first year of employment, classified employees are given a two-year contract. Following the third year of employment, classified 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.

The procedures for preparing and distributing the individual contracts and salary notices as well as entering the contract amounts into the payroll system are the same as those described for certified.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Each classified employee fills out and signs an individual timesheet or timecard. Bus drivers and secretaries fill out timesheets. Custodians, cafeteria workers and educational aides punch a timecard. Each timesheet and timecard includes the employee's name, position and the hours worked each day in a two week pay period. The classified timesheets and timecards are used to verify that employees worked their regular hours as well as to record any overtime hours worked. The timesheets and timecards are submitted to the employee's supervisor. The employee's supervisor reviews the timesheet or timecard and signs it. The supervisor forwards the timesheets or timecards to the Treasurer's Assistant in the Treasurer's office. The Treasurer's Assistant reviews the timesheets and timecards and verifies their mathematical accuracy as well as matches any time marked as leave to an approved absence report form. The Treasurer's Assistant resolves any discrepancies found on the timesheet or timecard with the supervisor and the employee prior to processing.

Overtime: Overtime earned by classified employees is paid in the pay period following the pay period in which it was earned. Overtime is paid at a rate of one and a half times the employee's regular rate. Overtime is recorded on an employee's timesheet or timecard. All overtime has to be approved by the employee's supervisor each pay period. The Treasurer's Assistant verifies the mathematical accuracy of the timesheets and timecards and enters the overtime amount for each employee into the payroll system.

Extra time earned, such as when one teacher covers a class period for another, is entered into the payroll system based on the hours recorded on the certified supplemental pay sheet. The supplemental pay sheets are approved by the employee's supervisor. The supplemental pay sheets are submitted to the Treasurer's Assistant in the Treasurer's office who enters them into the payroll system.

Other Employees: The Treasurer takes a roll call at every board meeting and marks down the board members in attendance. After the meeting, the Administrative Assistant enters the attendance on a board meeting attendance sheet. The board member attendance sheet is given to the Treasurer's Assistant who uses it to calculate and enter payroll for the board members. The board members are paid twice a year, once in June (for meetings in January through June) and once in December (for meetings in July through December). Board members are paid at a rate of \$40 per meeting.

Supplemental: The Administrative Assistant is responsible for preparing supplemental contracts. These contracts are issued as the Treasurer's office receives the assignments for each supplemental position. The Board of Education approves the supplemental contracts before they are distributed to employees. All supplemental contracts, except the junior high athletic director, are paid in one lump-sum payment after the contracted duties are completed. The supplemental contract for the junior high athletic director is paid over twenty-six pays.

Substitutes: The School District created a supplemental position for the purpose of scheduling substitutes. The substitute scheduler calls substitute teachers when needed. The building secretaries have the substitute teachers sign in on a Certified Substitute Sign-In List. This sheet covers the two week pay period and includes the substitute teachers' signatures, dates, names of absent teachers, types of leave (sick, personal or other) and whether each substitute was scheduled for a half or full day. The Certified Substitute Sign-In List is signed by the building principal and submitted to the Treasurer's office. The Treasurer's Assistant receives this sheet, calculates the substitutes' pay and enters this information into the payroll system.



# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Withholdings: Payroll, tax and retirement forms are given to new employees to be completed, signed, and returned to the Treasurer's office. The Treasurer's Assistant enters this information into the computer. The Treasurer's Assistant creates the employee record and notifies the appropriate retirement system of each new hire that is required to become a member.

The School District provides various benefits to employees. Benefits received by employees include vacation, sick and personal leave, retirement, health insurance and severance.

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

Vacation, personal or professional leave is approved by the employee's immediate supervisor in advance. The employee fills out and signs an absence report form which includes the employee's name, building, type of leave, reason for absence, dates of absence and total days absent. The absence report form is submitted to the employee's supervisor who approves and forwards it to the Treasurer's Assistant.

Sick leave is not required to be requested in advance. Certified and classified employees contact the individual that serves as the substitute scheduler to report off sick.

After returning from sick leave, the employee must fill out and sign an absence report form. The absence report form is given to the building principal or department supervisor who also signs it. The absence report is then sent to the Treasurer's Assistant in the Treasurer's office. The Treasurer's Assistant matches the absence report forms to the Certified Substitute Sign-In List and the timesheets/timecards. The Treasurer's Assistant uses the absence report forms to enter vacation, sick and personal leave usage into the payroll system.

STRS/SERS: Payroll deductions for STRS and SERS are processed through the payroll system and filed timely. The Board share of retirement is deducted from the State Foundation. Therefore, the Treasurer's office books the Board share as a memo expenditure and mails the employee share to STRS and SERS.

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

Other Employee Benefits: The School District provides medical, prescription, vision and dental benefits to all full-time employees administered through Summa Health, Advantica Eyecare and Humana. All full-time certified employees receive single coverage at no cost and family coverage at \$85 per month. The Board pays 100 percent of the dental and vision premium for certified employees. All full-time classified employees receive single coverage at no cost and family coverage at \$70 per month. The Board pays 100 percent of the dental and vision premium for certified employees. Medical, prescription, vision and dental insurance benefits are pro-rated for part-time employees. Life insurance benefits are provided through Ohio Schools Council. The Board provides each full-time and part-time employee with term life insurance of \$50,000.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Payroll Processing

(Continued)

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

Severance: The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Payments for certified and classified employees are twenty-five percent of the value of their accumulated sick leave up to eighty days.

Payroll Preparation: Access to the payroll system is password protected. The Treasurer has given authority to Lake Geauga Computer Association (LGCA), the School District's A-site, to grant access and supply a password. The Treasurer and Treasurer's Assistant have full access to the payroll system.

All payroll information must be received by the Monday following the end of the pay period. Overtime and extra time from the previous pay period is entered into the payroll system by the Treasurer's Assistant. Once all payroll information is entered into the system by the Friday prior to the payroll week, the payroll is ready to be processed.

The Treasurer's Assistant has a checklist for processing payroll. The checklist names the reports that need to be run and lists the steps to be taken to process payroll. The Treasurer's Assistant also prepares a Payroll Calculations packet for each pay date. This packet includes a spreadsheet for each payroll account group and a top summary sheet showing the total payroll amount. The Treasurer's Assistant uses the summary from the Payroll Calculations packet to check various payroll reports.

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 distribution proof listing called PAYSUM which details out the gross payroll by individual employee. The Treasurer's Assistant compares totals from the PAYSUM to the summary from the Payroll Calculations packet.

The next step is to run the CALCPAY program which generates four reports, the PAYRPT, DEDTOT, the CALCERR, and the BUDPRO. The PAYRPT details the gross payroll and deductions by individual and pay group. The DEDTOT lists all payroll deductions including STRS and SERS deductions. The CALCERR lists items that are unusual and may need further attention. This report is reviewed by the Treasurer's Assistant for any errors. The BUDPRO details the gross payroll by budget account. The Treasurer's Assistant reviews this report to verify there are no errors in the payroll coding.

The direct deposit notification forms and payroll checks are printed in the Treasurer's office no later than the Tuesday of every pay week. Payroll checks are only used for certified supplemental pay. The blank check stock paper is kept in a locked file cabinet in the Treasurer's office. The check stock paper is completely blank, not containing school name, account number, check number or any other information. All this information is printed on the checks through the check writing process including the signature. The Treasurer's Assistant uses the create-a-check program to generate, electronically sign and print the payroll checks. The Treasurer and the Treasurer's Assistant have security access for printing payroll checks.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Prior to printing the payroll checks and electronically submitting the direct deposits, the Treasurer's Assistant verifies that the payroll amounts in the system match the total on her Payroll Calculation summary sheet. If there is a difference, the Treasurer's Assistant checks to see that employee pay rates are correct and that overtime and extra time hours have been entered correctly and resolves any errors.

The Treasurer's Assistant prints the payroll checks and direct deposits the data using the CHKPRT program. Direct deposits are submitted electronically to the bank by Tuesday. After submitting the direct deposits, the Treasurer's Assistant gives the payroll reports to the Treasurer. The Treasurer logs into the bank's website and verifies that the direct deposit amount on the bank webpage matches the total on the PAYDIR report. Money is transferred from the general checking account into the payroll account by the Treasurer.

Employees receive a direct deposit notification pay stub on Thursday of the payroll week. During the school year, the printed pay stubs are sent to the department or building where the employee works. During the summer, the printed pay stubs for nine month employees are mailed to the employee's home.

Payroll checks and direct deposits are posted to the payroll system and general ledger system by running the CHKUPD program. Appropriate deduction checks are printed and posted to the payroll system and general ledger system by running the DEDRPT and PAYDED.

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

Internal Revenue Service W-2 forms are processed by early January of the new calendar year. W-2 forms are distributed to all employees by early January. All W-2 information is submitted electronically to the IRS through the School District's A-site, LGCA.

### Auditor of State Comments

None.

# Ledgemont Local School District – Geauga 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. 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 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

Debt issuances are approved by the Board through resolution. The Board resolution identifies the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

The Treasurer matches all bills received for debt to the appropriate amortization schedules to ensure that the correct debt payments are made. Debt payments are all made by check. All debt documents and amortization schedules are kept on file in the Treasurer's office.

The amount of the School District's outstanding debt at June 30, 2012 was \$2,925,000 and consists of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2012</u>
<u>Tax Anticipation Note:</u>		
2010 Income Tax Anticipation Note	3.88%	\$163,000
<u>Loan:</u>		
2011 State of Ohio Solvency Assistance Advance	0.00%	1,085,000
2012 State of Ohio Solvency Assistance Advance	0.00%	<u>1,677,000</u>
<i>Total Debt</i>		<u><u>\$2,925,000</u></u>

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Debt Administration

(Continued)

In fiscal year 2011, the School District issued a \$200,000 tax anticipation note for the purchase of a new boiler. This note was issued for a five year period with a final maturity on December 1, 2015. This note will be repaid from the general fund.

During fiscal year 2011, the School District received a Solvency Assistance Fund advance from the State of Ohio in the amount of \$2,170,000. The Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The fiscal year 2011 advance will be repaid over two fiscal years, beginning in fiscal year 2012 with State foundation revenues.

During fiscal year 2012, the School District received a Solvency Assistance Fund advance from the State of Ohio in the amount of \$1,677,000. The Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The fiscal year 2012 advance will be repaid over four fiscal years, beginning in fiscal year 2014 with State foundation revenues.

### Auditor of State Comments

None.

# Ledgemont Local School District – Geauga 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 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 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 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 that owns the property. The Board may offer real property for the sale as an entire tract or in parcels. Under division (B), when the Board 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. Real property is a permanent improvement and the proceeds are to be recorded into a permanent improvement fund as required by Section 5705.01 and 5705.10, Revised Code.

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.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(Continued)

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

The School District's capital asset policy 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's capital asset policy sets the capitalization threshold at \$500. In practice, the School District only capitalizes assets with a value of \$1,000 or greater. The policy states that the School District has elected to capitalize quantity purchases that individually would not meet the criteria for capitalization. The classification of capital assets includes land, land improvements, buildings and improvements, furniture and equipment, and vehicles. All assets are capitalized at cost or estimated historical cost if the actual cost is not available.

Valuation Engineers compiled capital assets for the School District as of June 30, 2009. The Valuation Engineers capital assets reports are used as a basis for all capital assets acquired in fiscal year 2009 and prior years. For fiscal years 2010 and 2011, the Treasurer provided the GAAP converter with the current year capital asset additions and deletions information. Each year, the GAAP converter takes the prior year balances and adds the current year additions and subtracts the current year deletions to calculate capital asset balances.

The Treasurer identifies capital asset additions by running an expenditure report which includes all 600 and 700 capital outlay expenditure object codes from the School District's system. All capital assets at or above \$1,000 are assigned an inventory tag number and capitalized. The Treasurer gives the capital asset addition information to the GAAP converter who enters all additions into an Excel spreadsheet. The information entered into the spreadsheet includes asset class, asset description, year acquired, fund and function, cost, estimated useful life and annual depreciation.

The School District also physically tags such assets as computers, printers and copiers with a numbered tag. The asset tag aids in identifying the existence of the asset.

Depreciation is calculated on a straight line basis. Salvage value is not used. For assets acquired in fiscal year 2009 and prior years, depreciation is taken from the fiscal year 2009 (most recent) Valuation Engineer's depreciation report minus any deletions. For assets acquired after fiscal year 2009, the GAAP converter calculates the depreciation by using formulas in an Excel spreadsheet. The Treasurer reviews the depreciation calculated on the spreadsheet.

When employees wish to dispose of an asset, they contact the Treasurer's office with a description of the asset, serial number and asset tag number. The Treasurer compiles a list of capital assets to be disposed of and submits it to the Board for approval. Upon Board approval, the assets may be trashed or recycled. If an asset can still be used, the Treasurer's office will sell the asset. The sale of capital assets is very rare and in almost all cases disposed assets are simply scrapped.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(Continued)

After the end of the fiscal year, the Treasurer reviews the Valuation Engineer's capital asset detail report and identifies all deleted assets that need to be removed. The GAAP converter updates the capital assets for the deleted assets.

The School District does not perform an annual physical inventory of capital assets.

### School District's Methods for Assets for Supplies

The School District does not perform an annual physical inventory of supplies to verify existence or non-existence. For financial reporting purposes, the only inventory of supplies that is reported is fuel and food service.

All food service inventories are received and maintained at the elementary school. The Cafeteria Manager at the elementary school takes a monthly physical inventory and enters the quantities on hand for each inventory item into a formula spreadsheet that calculates the dollar amount of the inventory based on the cost per unit. The Cafeteria Manager uses the dollar totals from the monthly inventory spreadsheet to complete the State Child Nutrition reports online which are submitted to the State Department of Education.

### Auditor of State Comments

1. The Board policies on capitalization and inventory control threshold are not being followed. The current policies state that asset additions with a value of \$500 or greater are to be capitalized; however, the School District is only capitalizing assets with a value of \$1,000 or greater. The School District should update its policies to reflect what assets it capitalizes.
2. The School District does not complete a physical inventory to verify the existence of capital assets. The School District should complete a physical inventory every two to three years to verify the existence of capital assets. The School District should also update the Board policy to reflect this.
3. The School District does not assign salvage value to depreciable capital assets. In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value. The School District should assign salvage values to depreciable assets and recalculate annual and accumulated depreciation.
4. The School District does not maintain a listing of individual assets under the capitalization threshold that should be tracked for insurance purposes only. The School District should update its capital assets policy to identify which individual assets should be tracked for insurance purposes only and maintain a listing of these assets.
5. The Treasurer's office does not verify the existence or non-existence of any significant consumable inventory other than fuel and food service supplies. The Treasurer should verify that there are no significant inventories other than fuel and food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.



# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Cash Management and Investing

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

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

#### Statutory Requirements

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

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

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

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

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

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

Section 3315.01, Revised Code, allows the Board 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.

# Ledgemont Local School District – Geauga 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 from the general checking account to the payroll account when needed. The School District maintains a general checking account, a payroll checking account, a municipal revenue checking account, two savings accounts and three petty cash accounts.

The Chase checking account receives wire transfers and daily deposits for the Ledgemont Local School District. Checks are written against this account for the daily operations, other than payroll, of the School District.

At the beginning of each month, the Treasurer closes out the previous month. Within the next two weeks, the Treasurer reconciles the bank accounts for the previous month. To identify outstanding checks, the Treasurer enters into the accounting system the check numbers that cleared the bank per the bank statement and then runs an outstanding check register report. Any discrepancies are noted on the monthly cash reconciliation. This reconciliation is presented to the Board of Education.

Voided general operations and payroll checks have void written on them by the Treasurer's Assistant. The Treasurer's Assistant files these voided checks in a folder in numerical order.

The Board policy states that the Treasurer is authorized to make investments with available monies from the funds of the School District in securities authorized by State Law. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law. The only investments the School District holds are the two savings accounts. The School District does not have a policy for distribution of interest income but instead has chosen to follow State statute. In fiscal year 2011 and prior years, the only fund that received interest was the general fund. The Treasurer annually attends training on investing offered by the State Treasurer's office.

The School District maintains three petty cash accounts; one for each of the two school buildings and another for the School District as a whole. These funds are authorized by the Board.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Cash Management and Investing

(Continued)

#### Auditor of State Comments

1. The School District does not have a policy for distribution of interest income. The School District should adopt a policy for the distribution of interest income.
2. During fiscal year 2011, the School District did not record interest earned on the money derived from the food service fund as required by Section 135.21, Revised Code. The School District should allocate interest to the food service fund monthly based upon fund balances.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

The Treasurer should periodically provide the Board with reports setting forth year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the School District. In addition, information concerning estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the Board's review. On an annual basis, the Treasurer should prepare and publish within 150 days of fiscal year-end financial statements prepared in accordance with generally accepted accounting principles (GAAP) and Section 117-9-03(B).

#### 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.

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

The School District uses software provided by the Lake Geauga Computer Association (LGCA) which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports which are kept on file in the Treasurer's office.

During the monthly Board meetings, the Board members receive a copy of the monthly cash reconciliation, a list of the previous month's receipts, a list of bills paid for the previous month and an outstanding checks list.

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 end or, if unable to meet the deadline, an extension is requested. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members.

In prior fiscal years, the School District has not published a notice of the availability of the financial statements in the local newspaper. Copies of the financial statements are kept at the School District for the public and distributed when requested. All requests of financial information from the public are prepared and distributed by the Treasurer's office.

# Ledgemont Local School District – Geauga County

## Financial Accounting Report

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### Auditor of State Comments

1. The Board does not receive reports presenting estimated revenues and appropriations. The Treasurer should provide the Board with reports comparing estimated revenues and appropriations to actual amounts on a monthly and cumulative basis.
2. In accordance with Section 117.38, Revised Code, the School Code should publish in a local newspaper that the financial report is available for public inspection at the office of the Treasurer.

# Ledgemont Local School District – Geauga 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.

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

The Board usually holds their regular monthly meetings on the second Monday of each month. The Treasurer takes notes during the Board meetings. The Treasurer gives these notes to the Administrative Assistant who prepares the minutes of the meeting. The minutes include who is in attendance, a summary of topics discussed, resolution numbers and a description of the resolution, votes on each resolution and any reports or materials handed out to support the resolutions. The minutes are approved by the Board at the following month's meeting and signed by the President of the Board and the Treasurer. Typed minutes, resolutions and supporting exhibits are kept in binders in the Treasurer's office.

#### Auditor of State Comments

None.

# Ledgemont Local School District – Geauga 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. These methods, in some cases, vary from the actual methods used in performing the daily activities.

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

**Ledgemont Local School District – Geauga County**

**Financial Accounting Report**

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# Dave Yost • Auditor of State

**LEDGEMONT LOCAL SCHOOL DISTRICT**

**GEAUGA 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  
OCTOBER 23, 2012**