



**Auditor of State  
Betty Montgomery**

**Barnesville Exempted Village School District  
Belmont County, Ohio**

**Financial Accounting Report**

**Local Government Services Division**

**Barnesville Exempted Village School District  
Belmont County**

**Report on Accounting Methods**

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**CERTIFICATION**

On December 18, 2003, the Barnesville Exempted Village 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 school district's accounts, records, files and reports. The 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 this "Financial Accounting Report" is hereby submitted and certified to the Financial Planning and Supervision Commission and the Board of Education of the Barnesville Exempted Village School District.

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

*Betty Montgomery*

Betty Montgomery  
Auditor of State

April 13, 2004

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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 Barnesville Exempted Village School District, and (2) whether the current accounting system is in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State. Information for this report was obtained by interviewing School District personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Barnesville Exempted Village School District. We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items of the School District's financial statements. Accordingly, we do not express such an opinion. Had we preformed additional procedures, other matters might have come to our attention that would have been reported to you.

# **Barnesville Exempted Village School District Belmont County**

## **Financial Accounting Report**

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### **Governance Overview**

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

On December 18, 2003, 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 and owner of a local business appointed by the county auditor;
4. A local business person appointed by the Governor; and
5. A parent with a child enrolled in the School District appointed by the 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 Barnesville Exempted Village School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Financial Planning and Supervision Commission is to specify the level of fiscal and management control that the Commission will exercise within the School District during the period of fiscal emergency, and shall enumerate respectively, the powers and duties of the Commission and the duties of the school board during that period.

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

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

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**Governance Overview**

(continued)

As of the date of this report, the Commission has assumed the power to approve contracts entered into by the Barnesville Exempted Village School District for personal services, purchases in excess of \$10,000, and employment contracts for all positions other than temporary positions. The Commission also requires purchase orders under \$10,000 to be approved by the Finance and Management Services consultant assigned to the School District by the Department of Education.

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 fiscal emergency will be terminated and the operation of the Commission will cease. At that time, all responsibility for the management of the School District will revert to the locally-elected Board.

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**Treasurer's Office Overview**

The various activities and processes that take place in the Treasurer's office include the following:

1. Various aspects of the budgetary process including the preparation of the tax budget, preparation and monitoring of appropriations, monitoring estimated revenues, certification of available funds, encumbrances, and the five year forecast;
2. Payroll processing, including the preparation of certified and administrative contracts for approval, the entering of information from employee contracts into the payroll system, posting of leave usages, maintenance of information for retirement systems, maintenance of information for employee health, dental, vision and life benefits, preparation of payroll related reports for the retirement systems, state department of taxation, and for the internal revenue service, and processing of warrants for employee payroll and related benefits;
3. Preparation of warrants for the payment of vendors for services and supplies;
4. Receipt of monies from various sources and insuring that the receipts are deposited in a timely manner;
5. Cash management and investment of School District funds, including the reconciliation of the general, payroll and building construction bank accounts to the School District's financial records;
6. Preparation of the School District's annual financial report in accordance with generally accepted accounting principles (GAAP);
7. Maintenance of information pertaining to the School District's capital assets;
8. Payment of School District debt;
9. Recording the official proceedings of meetings of the Board of Education; and
10. Entering and maintaining Educational Management Information System (EMIS) information; and
11. Providing financial information as requested by the Board of Education.

There are currently four individuals employed in the Treasurer's office, the Treasurer and three Assistant Treasurers.

Treasurer - The Treasurer oversees all activities conducted within the Treasurer's office. The Treasurer delegates various duties to the three Assistant Treasurers including the following:

- Certain budgetary related activities;
- Processing payroll;
- Processing student activity forms and receipts; and
- Processing athletic and cafeteria receipts.

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**Treasurer's Office Overview**

(continued)

The Treasurer reviews the information prepared by the Assistant Treasurers. In addition, the Treasurer is responsible for the preparation of financial information for the Board of Education and other school district personnel, and is responsible for the completion of the School District's fiscal year end financial statements.

Assistant Treasurer – Budgetary - This individual is currently responsible for reviewing requisitions, preparing purchase orders, entering encumbrances, preparing voucher packets, preparing warrants for the payment of vendor invoices, and the posting of foundation revenue, property tax revenues and grant monies. In addition, this individual is responsible for reconciling the School District's general and building construction bank accounts.

Assistant Treasurer – Payroll – This individual is currently responsible for preparing certified and administrative employee contracts, entering all employee information into the payroll system, maintaining leave balances, preparing payroll warrants, preparing federal and state payroll reports, and reconciling the payroll clearing bank account.

Assistant Treasurer – EMIS, Student Activities, Athletics, and Cafeteria – This person is currently responsible for entering and maintaining all EMIS information, processing items submitted for student activities (including sales potential forms, final sales forms and fundraising and athletic activity deposits), processing receipt information provided by the cafeteria supervisor, and processing receipt information provided by the athletic department.

Each Assistant Treasurer is cross-trained to perform the duties of the other Assistant Treasurers. In addition, the Treasurer reviews items prepared by each Assistant Treasurer and assists them with their various tasks.

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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 how much and what type of financial resources shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted for all funds other than agency funds and the amounts appropriated for each fund should not exceed the estimated resources available for the fiscal year. The budget should present sufficient information to identify the major sources of revenues and the functions and major objects of expenditures. The process should encompass current operation of academic and student programs, capital acquisition replacement and maintenance of the various school district buildings, and debt retirement. The adopted budget 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 unspent balances available for expenditure.

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

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

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

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

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**Budgetary Process**

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

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

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

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

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

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

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**Budgetary Process**

(continued)

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

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

The Ohio Administrative Code links the ability to certify under section 5705.412 of the Revised Code to the five-year projection. Under Section 3301-92-05(E) of the Ohio Administrative Code, each school district is required to 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 must maintain a continuing record of the contracts which have been certified. This record includes, but is not limited to, vendor name, 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 are to 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 cause a fiscal year end deficit in the projection, then the obligation or contract may not be certified. Any change to the five year projection must be approved by the board of education. Each school district must maintain sufficient documentation to support these changes.

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**Budgetary Process**

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Responsibility for the preparation of the five year projection, the accuracy of the presented figures and the reasonableness of the assumptions on which they are based rests with the school district administration and the board of education. The automatic retrieval of historical data does not relieve the district of the responsibility for insuring that those numbers are reasonable and accurate.

**School District's Budgetary Process**

Prior to January 15, the Board of Education adopts an operating budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings are held to obtain taxpayer comments. By no later than January 20, the Board-adopted budget is filed with the Belmont County Auditor. The Treasurer is responsible for preparing the current year operating budget (tax budget) and for presenting the proposed operating budget to the Board for adoption. The Superintendent works with the Treasurer to prepare the annual budget, as well as the annual appropriations resolution.

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the Belmont County Auditor and receives the certificate of estimated resources. Prior to the start of the fiscal year, the Treasurer, with Board approval, revises the appropriations so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the original certificate of estimated resources. On or about July 1, the Treasurer amends the certificate to include any unencumbered cash balances from the proceeding year. The Treasurer also amends the certificate at the beginning of the fiscal year if projected revenues have increased or decreased.

When preparing the appropriations, the Treasurer considers the most recent certificate of estimated resources issued by the Belmont County Auditor as the maximum amount available for appropriation. Appropriations are estimated based on prior year spending and anticipated changes. The appropriations are then adopted and certified by the Board of Education. The Board adopts appropriations at the fund level. Upon passage, the Treasurer allocates the appropriations to the various accounts within each fund based on prior year actual amounts and any anticipated changes for the current fiscal year. Principals are responsible for preparing and submitting each building's budgetary requests to the Treasurer.

The School District passes a temporary appropriations measure by the end of June. The School District operates under the temporary appropriations measure until a permanent appropriation measure is passed in mid September. Revisions to the appropriations and supplemental appropriations are approved by the Board of Education.

The Treasurer reviews estimated revenues and appropriations monthly. A request for an amended certificate is prepared, if needed, and a supplemental appropriation measure is prepared for Board approval. The supplemental appropriation measure adjusts appropriations to the total estimated resources by fund as anticipated in the new amended certificate. After approval of the supplemental appropriation measure, both the request for an amended certificate and the supplemental appropriation measure are sent to the Belmont County Auditor.

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**Budgetary Process**

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The School District submits the five-year forecast annually to the State Department of Education and updates the forecast periodically during the year. The forecast is approved by the Board prior to it being filed. The School District is not currently maintaining a continuing listing of contracts that have been certified as required by 5705.412, R.C.

**Auditor of State Comments**

1. Section 5705.39, R.C. states that the total appropriation from each fund shall not exceed the estimated revenues. At June 30, 2003, total appropriations exceeded estimated revenues in the Food Service Enterprise Fund and in the Self Insurance Internal Service Fund. The School District should monitor appropriations and estimated revenues more closely to ensure that appropriations do not exceed estimated revenues.
2. The School District should update its Policies and Procedures Manual regarding its budgetary process. The Policies and Procedures Manual should properly reflect all aspects of the preparation of each budgetary document and the filing of documents with the county budget commission and the Department of Education. The Policies and Procedures Manual should address the level at which the Board of Education adopts appropriations, the levels at which the Treasurer may allocate appropriations, the reports to be used to monitor appropriations and the frequency that monitoring is to occur. In addition, the Policies and Procedures Manual needs to be updated to address five year forecast requirements, addressing the dates that the forecast is to be submitted to the Ohio Department of Education. The Policies and Procedures Manual has not been updated since it was adopted on March 21, 1989.
3. The Treasurer and Superintendent's job descriptions should be amended to include their responsibilities for the requirements of 5705.412, R.C., certificates. The policy should address the requirement that a continuing record of contracts which have been certified is to be maintained, including adequate documentation to justify the certification. The continuing record must include, but is not limited to, vendor name, contract amount, contract amount allocated by year, purchase order number and date. The job descriptions should also indicate that both are required to sign the certificates.
4. The fiscal year 2003 Board-adopted appropriation measures did not have a certification of available revenues attached as required by Section 5705.412, Revised Code. Section 5705.412, Revised Code requires a certificate of available revenue be attached to each appropriation, except a temporary appropriation measure meeting certain criteria. 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.

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**Budgetary Process**

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5. The School District must request an amended certificate of estimated resources for new revenue sources from the County prior to amending appropriations. The School District has historically requested an amended certificate of estimated resources subsequent to the adoption of amended appropriations when new grant monies were received.
  
6. At the end of fiscal year 2003, the School District's Self-Insurance Internal Service fund had a negative cash balance. This is an indication of non-compliance with budgetary laws. The School District must monitor fund balances and either not approve expenditures for which cash is not available or advance money from another fund to temporarily provide necessary cash.

# Barnesville Exempted Village School District Belmont 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 identification and recording of account classification and source for each receipt. Receipts should be promptly recorded, safeguarded and deposited. The receipt or pay-in-order form should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the entity and reflect the date received, the payer, amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payer. All receipts should be deposited and posted in a timely manner. Adequate safeguards should be in place to insure that one individual does not have total control over the receipting of monies, deposit of monies, posting of receipts, and reconciliation of bank accounts.

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

#### School District's Revenue Process

The School District receives revenue from both internal and external sources. External sources of revenue include amounts received from the Department of Education, Belmont County and various other state and federal agencies. Internal sources of revenue include money collected for lunches served in the cafeteria, for student activities, at athletic events and miscellaneous receipts collected at the various School District buildings.

The School District receives money in the form of wire transfers, cash, money orders and checks. The revenues received by wire transfer are state foundation monies, grants, and property taxes. The remittance forms are received in the mail from the payer. The Treasurer receives wire transfer notifications and codes the receipt as to the fund and receipt code and forwards the notification to the Budgetary Assistant Treasurer. The Budgetary Assistant Treasurer prepares receipts for electronic deposits based upon the coding provided by the Treasurer. The EMIS Assistant Treasurer records all other receipts received by the School District. A revenue report is run monthly by the Budgetary Assistant Treasurer which is provided to the Treasurer for use in the reconciliation process. Should there be problems encountered during the reconciliation process, the receipt report is reviewed to deposit tickets and to the bank statement to identify the nature of the error.

All employees who handle money are bonded by position with the School District paying the cost of the position bond. All receipts prepared in the District are pre-numbered receipts.

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**Revenue Activity**

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**Receipt of State Foundation:** State foundation monies are wire transferred bi-monthly to the School District's general account from the Department of Education. The foundation settlement sheets reflecting the various sources of state aid are mailed to the School District. Generally, foundation settlements include restricted and unrestricted receipts, tuition receipts and various other payments to the School District. The Treasurer codes the settlement sheet with the proper fund and receipt code. The foundation statement is given to the Budgetary Assistant Treasurer, who prepares the receipt. The Budgetary Assistant Treasurer posts the gross revenue and the memo expenditures for STRS, SERS, open enrollment and other items. Parity aid is posted as unrestricted grants in-aid. State foundation receipts are posted using the USAS codes provided on the settlement sheets. The Treasurer reviews the revenue postings made by the Budgetary Assistant Treasurer monthly.

**Receipt of Property Taxes:** Upon receipt of the EFT advice and tax settlement sheet from the Belmont County Auditor, the Treasurer prepares a sheet outlining the amounts and accounts for the gross taxes and the memo expenditures for the deductions. The Treasurer codes the settlement sheet with the proper fund and receipt code and forwards the sheet to the Budgetary Assistant Treasurer who prepares the receipt and posts the transaction to the books. The Treasurer reviews the revenue postings made by the Budgetary Assistant Treasurer monthly.

**Receipt of Grant Monies:** The School District receives federal, state and local revenue in the form of restricted and unrestricted grants. When monies are received by direct deposit, the Treasurer is notified by letter that a deposit has been made to the School District's account. The Treasurer identifies the payer, amount, and type of revenue being received. The Budgetary Assistant Treasurer then prepares a receipt and posts it. When payments are received by check, the Budgetary Assistant Treasurer prepares a receipt and posts the transactions. The Budgetary Assistant Treasurer then prepares the deposit slip and places the money in a sealed, numbered deposit bag. The Treasurer reviews the revenue postings made by the Budgetary Assistant Treasurer monthly.

**Receipt of Cafeteria Monies:** The School District prepares meals based upon daily counts conducted each morning at the elementary and middle school. The high school meals are prepared based upon average meals sold historically. Money is collected from students by the cashier in each building. The money is then counted by each lunchroom cashier and is compared by the cashier to the cash register tape. The register tape and money is forwarded to the cafeteria secretary. A food service sales form, which documents the daily collections per the register tapes, number of meals sold and other information is completed by the cafeteria secretary. The money is recounted by the cafeteria secretary and checked against the food service sales form. If there is a discrepancy, the cafeteria secretary will contact the cashier and attempt to identify the error. The cafeteria secretary then notes how the error was resolved. Historically, discrepancies that occur are immaterial and are attributable to the cashier giving incorrect change. The cafeteria secretary then prepares a deposit slip. The money and deposit slip are placed in a sealed bank deposit bag by the cafeteria secretary, who takes the deposit bag to the bank each day. A copy of the food service sales form and register tapes are retained by the cafeteria secretary. The cafeteria secretary enters the information onto a spreadsheet. The food service sales form, deposit slip copy, and spreadsheet are sent to the Treasurer's office daily for posting. The bank deposit slips are compared to the food service secretary's reports and spreadsheet by the EMIS Assistant Treasurer during preparation of the monthly reconciliation. The food service supervisor is notified of any differences and resolves them. The Treasurer reviews the revenue postings made by the EMIS Assistant Treasurer monthly.

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**Revenue Activity**

(continued)

**Athletic Event Receipts:** The School District requires payment for attendance at football and basketball games. The athletic director prepares a Ticket Accountability/Cash Accountability form for use with each game that includes the event, date and beginning ticket number of each ticket roll being used. Ticket sellers are provided with a change fund from the athletic director. Persons buying tickets pay the ticket seller and receive his or ticket. The ticket is given to a ticket taker at the entrance to the game, who tears the ticket in two. The ticket seller turns the unsold ticket rolls and money over to the athletic director and the ticket taker returns the ticket halves to the athletic director. The athletic director enters the last ticket number sold and amount collected on a Ticket Accountability/Cash Accountability form.

The athletic director computes the sales and compares the amount collected to the number of tickets at the ticket price for student and adult tickets. If there are discrepancies, they are resolved with the ticket seller the same day. The money and the Ticket Accountability/Cash Accountability form is locked overnight and turned in to the Treasurer's office the next morning. The EMIS Assistant Treasurer prepares a receipt, giving a copy to the athletic director, and prepares a deposit ticket. The deposit ticket and money are placed in a sealed, numbered deposit bag, which is delivered to the bank by the EMIS Assistant Treasurer. Copies of the receipt and deposit slip are used by the EMIS Assistant Treasurer to post the revenue. The Treasurer reviews the revenue postings made by the EMIS Assistant Treasurer monthly. The EMIS Assistant Treasurer provides a report to the athletic director monthly which provides detailed information for all receipts posted for the month to insure that any discrepancies that arise are identified and corrected timely.

**Student Activity Receipts:** When a student organization plans to conduct a fund-raising activity, a two-part sales project potential form must be completed and signed by the advisor and given to the building principal. The top portion of the form is filled out prior to the start of a fundraiser and the bottom portion is filled out at the completion of the fundraiser. The top portion of the form provides information as to what will be sold, proposed cost per unit and proposed sales price per unit. Upon receiving the top portion, the building principal must either approve or disapprove the fundraiser. If it is approved, the building principal forwards the sales potential form to the Treasurer's office for further approval. The Treasurer and Superintendent must give their approval before the start of the fundraiser. If approved, the student activity advisor is given approval to hold the fundraiser.

The student activity advisors collect money from students for items sold. The student activity advisors track the items given to students to sell, how much is sold, cash collected and unsold items. Monies collected each day are placed in a sealed envelop. The envelope indicates the amount, advisor name and the fundraiser for which the money was collected. The envelope is given to the building secretary or principal and is placed in a safe. The building secretary or principal monitor the amount of money in the safe and they notify the EMIS Assistant Treasurer when amounts exceed five hundred dollars. The EMIS Assistant Treasurer goes to each building upon notification, or weekly, to verify amounts collected and to prepare amounts for deposit. If a discrepancy occurs, the EMIS Assistant Treasurer will contact the advisor to resolve the problem. At the completion of the fundraiser the bottom portion of the sales project potential form is completed by the advisor. The bottom portion of the form provides detailed information about purchases, sales and the total amount of money collected.

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**Revenue Activity**

(continued)

At the completion of the activity, the bottom portion of the form and any remaining money is given to the EMIS Assistant Treasurer for deposit. The EMIS Assistant Treasurer compares the money collected to the sales project potential form. The EMIS Assistant Treasurer counts the money, prepares the deposit ticket and deposits the money in a sealed deposit bag to the bank. The deposit slip is then used by the EMIS Assistant Treasurer to post the revenue. The Treasurer reviews the revenue postings made by the EMIS Assistant Treasurer monthly. However, not all areas of the form are consistently filled out by student activity advisors, nor are the forms consistently forwarded to the Treasurer's office in a timely manner. The EMIS Assistant Treasurer provides a report to the student activity advisors monthly which provides detailed information for all receipts posted and invoices paid for the month to insure that any discrepancies that arise are identified and corrected timely.

**Miscellaneous Receipts:** Teachers provide memos to students for amount owed for classroom fees and damaged books and maintain a listing of amounts owed by each student. Librarians provide memos to students for amount owed for overdue book fines and damaged or lost books and a listing of amounts owed is maintained. Money collected by teachers and librarians is forwarded to the building secretary. The building secretary maintains a receipt book where the fees are recorded as they are collected and the teacher and librarians are provided a copy of the receipt. Partial payment of fees is applied to the overall fees owed by the student as reflected on the teachers or librarians listing. The secretary counts the money and completes a deposit ticket. The money and the deposit ticket are placed in a sealed bag along with a summary of the fees that were collected which is sent to the Treasurer's office. The EMIS Assistant Treasurer verifies the amount and takes it to the bank for deposit. The Treasurer reviews the revenue postings made by the EMIS Assistant Treasurer monthly.

**Auditor of State Comments**

1. The District should adopt an NSF check policy. This should be done to ensure that the School District properly accounts for the removal of the transaction from its books. The District currently deals with the situation as it occurs. The frequency of receiving NSF is very limited, which is why no formal policy currently exists.
2. The District should enforce the use of fundraising projection forms for student activity fundraisers. Currently not all forms are properly completed nor forwarded to the Treasurer's office in a timely manner. The first part of the form should be turned in prior to the start of the fundraiser to provide information as to what will be sold, proposed cost per unit and the proposed sales price per unit. Upon completion of the fundraiser, the second part of the form should be promptly completed by the activity advisor to provide detailed information about total units sold and actual sales price per unit. This form should accompany the money collected when given to the Treasurer's office. The proper and timely completion of the form will allow the EMIS Assistant Treasurer to more closely review the sales project potential forms to ensure that the proper amount of money has been collected.
3. Deposit tickets should be pre-numbered to insure that all deposit tickets are accounted for.

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**Revenue Activity**

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4. The School District should update its Policies and Procedures Manual regarding its revenue process. The Policies and Procedures Manual should properly reflect all aspects and functions of the School District regarding the collection and recording of receipts and the proper segregation of duties involved with the revenue process. In particular, the Policies and Procedures Manual needs to address a formalized process in the areas relating to student activities and food service to reduce the amount of discrepancies between cash collections and amounts reflected on sales project potential form and the food service sales form. The Policies and Procedures Manual has not been updated since it was adopted on March 21, 1989.
5. The School District should update the job descriptions of all positions handling the receipt and recording of revenue to more accurately reflect the duties that are to be performed by each individual.
6. All forms used to account for the collection of monies should be initialed by the preparer and include the appropriate approval. Deposit tickets and the documentation submitted with the deposit tickets for athletic and student activity events did not consistently have the signature of the person who had prepared the form or the signature of the individual that reviewed and approved the form. Lunchroom forms were signed by the Treasurer, but had no signature or initials of the preparer.
7. The School District's Board of Education should adopt a policy that sets forth the requirements of the timing of the deposit of funds. Currently, money collected in the various buildings is deposited weekly, or when amounts reach five hundred dollars. This is contrary to Section 9.38, R.C., which states in part "if the total amount of the public moneys received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period." The School District does not currently have a policy.

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**Purchasing Process**

**Description of an Effective Method for Purchasing**

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded and the purchasing process should be integrated with the budget. The process should include selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the fiscal officer's certification of the availability of funds stating that the amount has been appropriated and is unencumbered. Purchase orders should be used for all non-payroll transactions, and should be in written form clearly indicating the items, quantities, and unit cost. Authorized purchase commitments should be recorded against a budget line item in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

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

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

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

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

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

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**Purchasing Process**

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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 district to maintain all personnel and programs for a specified number of days. A certificate attached to any qualifying contract shall cover the term of the contract; a certificate attached to a wage or salary schedule shall cover the term of the schedule. The certificate shall be signed by the treasurer, and president of the board of education and the superintendent of the school district, unless the school district is in a state of fiscal emergency, in which case the certificate shall be signed by a member of the district's financial planning and supervision commission.

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

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

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

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

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

1. Educational materials used in teaching;
2. Computer hardware and software used for instructional purposes;
3. Educational materials used in teaching;
4. 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,
5. Energy conservation measures (with certain restrictions provided by statute).

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

The Auditor of State has established a database pursuant to ORC 9.24 in order to list all persons who have unresolved findings for recovery, dating back to January 1, 2001. Before entering into a public contract described above, a state agency or political subdivision is required to verify that the person does not appear in this database.

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**Purchasing Process**

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**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 is made.”

**School District’s Purchasing Process**

Upon the determination that items need to be purchased, the employee requesting the goods completes a purchase order requisition. The originator of the requisition determines the quantity. The purchase order requisition is given to the employee’s immediate supervisor. The immediate supervisor will either approve or disapprove of the purchase order requisition. Approved purchase order requisitions are then sent to the Superintendent, who reviews the requisition and indicates his approval by initialing the requisition form. The requisition form is then forwarded to the Treasurer. The School District participates in the OME-RESA Group Purchasing Pool for cafeteria supplies. All other supplies for the School District are purchased through various vendors based upon price listings maintained in the Treasurer’s office. The Treasurer or Budgetary Assistant Treasurer will review price lists from the various vendors to insure a vendor is selected that has the lowest price for the items. The Treasurer reviews the budgetary accounts to determine if adequate appropriations are available for the requisition. If there are available appropriations, the Treasurer initials the requisition form. The signed requisition form is then given to the Budgetary Assistant Treasurer. If appropriations are not available, the requisition is sent back to the original person requesting the goods.

The Budgetary Assistant Treasurer is responsible for preparing a prenumbered, four-part purchase order based upon the approved requisition form. The purchase order is given to the Treasurer for review and approval as to appropriate expenditure coding. After obtaining the Treasurer’s signature, the Budgetary Assistant Treasurer enters the purchase order into the system. State software is used to track and account for purchase orders. The purchase order is encumbered and posted to the system at the time it is entered into the system. The four parts of the purchase order are then dispersed as follows: the white copy is sent to the vendor, the green copy is sent to the building secretary, food service supervisor, or individual originating the purchase, the pink copy is filed with the requisition form to later become part of the voucher package and the yellow copy is filed separately in the Treasurer’s office. All invoices are received through the mail by the Treasurer’s office.

Each building secretary or individual that initiated the purchase is responsible for receiving the goods and verifying that the amounts shipped are consistent with the packing slip. The packing slip and purchase order copy are forwarded to the Treasurer’s office. The pink copy of the purchase order is then pulled by the Budgetary Assistant Treasurer. The Budgetary Assistant Treasurer verifies the quantities and prices on the purchase order copy, packing slip to the open purchase order file, and to the invoice when received. If the amount of the invoice is in excess of the amount encumbered on the purchase order, it has been the School District’s experience that many companies call the School District to verify the amount prior to shipping the goods or rendering the services. At that time, the Treasurer either approves or denies the increase after consulting with the Superintendent. The supervisor that approved the original requisition is notified that the

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**Purchasing Process**

(continued)

amount has changed. If the increase is approved, the original purchase order is modified to increase the encumbrance for the excess amount. If the Treasurer or Superintendent denies the increase, the purchase order is canceled. The Budgetary Assistant Treasurer then notifies the vendor and the originator of the requisition form that the order has been canceled. Once the final invoice is received and verified by the Budgetary Assistant Treasurer, the pink copy of the purchase order and the requisition form are attached to the invoice, creating a voucher package. Then the Budgetary Assistant Treasurer gives the voucher package to the Treasurer for review. Should an invoice be received that exceeds the original purchase order amount, the difference is discussed with the individual that purchased and authorized the item, and if deemed justified, the amount encumbered and paid. If the amount of the difference is not justified, the item will be returned to the vendor.

The Budgetary Assistant Treasurer provides a check batch report to the Treasurer along with the vouchers. The Treasurer will determine that adequate cash is available for the total amount reflected on the check batch report and gives verbal approval to the Budgetary Assistant Treasurer to begin a check run. Once checks are processed, the Budgetary Assistant Treasurer runs a check pay report. The total of the voucher packages is compared to the total of the check pay report for accuracy. A check pay report is also run monthly that is given to the Board of Education to approve the bills for the month. The Budgetary Assistant Treasurer also runs an open purchase order report monthly which reflects vendor name, purchase order date, purchase order number, description of item, purchase order amount, encumbrance amounts remaining, and check date and amounts for blanket purchase orders. This report is reviewed by the Treasurer to determine whether or not there are outstanding encumbrances that needs to be cancelled. In addition, the Treasurer utilizes the open purchase order report to compare to current fund balances and line item encumbrances when processing requisitions. Once the Budgetary Assistant Treasurer processes the invoices on open purchase orders, these amounts are removed from the open purchase order register. However, all closed purchase orders remain in a history look-up file.

For the purchase of goods or services involving the building or repair of a school facility, the transaction is subject to bidding whenever the aggregate value of such a purchase exceeds \$25,000. Bids are opened publicly by the Treasurer before one or more witnesses at a designated place and time. Contracts are given to the lowest bidder upon passage of a Board resolution. Prior to entering into any contracts, the Treasurer accesses the Auditor of State database to insure that no findings for recovery are outstanding against the individual or company.

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**Purchasing Process**

(continued)

**Auditor of State Comments**

1. The School District needs to implement policies pertaining to payments on purchase orders that exceed the amount encumbered. Currently the Treasurer has no written guidance on which to base his actions. When amounts materially exceed the original purchase order amounts, the Treasurer should prepare a “Then and Now” certificate for approval by the Board.
2. The School District should update its Policies and Procedures Manual regarding its purchasing process. The Policies and Procedures Manual should properly reflect all responsibilities of School District personnel regarding the preparation of requisition forms, purchase orders, and vouchers as required by the Board of Education. The Policies and Procedures Manual has not been updated since it was adopted on March 21, 1989.
3. A formal policy should be implemented that addresses the process to be followed when appropriations are not sufficient to cover a purchase order. The policy should indicate the level at which the Board of Education will adopt appropriations and the level at which the treasurer is to allocate appropriations. The policy should clearly indicate the level at which appropriations or modifications to appropriations are to be approved by the Board of Education.

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**Cash Disbursements**

**Description of an Effective Method for Cash Disbursements**

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

**Statutory Requirements:** State law places the following requirements on the disbursement of funds:

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

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

**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."

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**Cash Disbursements**

(continued)

**School District's Cash Disbursement Process**

The School District processes approximately 100 non-payroll related warrants monthly. Invoices and supporting documentation are reviewed by the Budgetary Assistant Treasurer as received in the mail. Nearly all invoices all received directly in the mail by the Treasurer's office, but occasionally, an invoice will be forwarded by the athletic department or student activity advisors. All invoices received are reviewed by the Budgetary Assistant Treasurer and verified to the packing slip and purchase order upon receipt from the individual that forwarded the information. The Budgetary Assistant Treasurer reviews the invoice to determine when payment is due in order to insure that the invoice will be paid timely in order to take advantage of discounts and to avoid late charges. Once verified, the Budgetary Assistant Treasurer files the information which will be included in the next check run. Bill payment occurs every three to four weeks, or at the Treasurer's discretion to insure that discounts are taken and to avoid late charges. Prior to the actual check run, the Budgetary Assistant Treasurer runs a check batch report that identifies the check number, vendor, invoice date, amount, fund, account and total amount of the checks to be processed. This report is given to the Treasurer to determine that adequate fund cash is available for the payment of the items on the report. If the Treasurer verifies that adequate cash is on hand to process the checks, he gives verbal approval to the Budgetary Assistant Treasurer for the check run. If it is determined that there is not adequate cash available, invoices are reviewed to determine which can be paid at a later date and they are removed from the check run. Subsequent to the verbal approval by the Treasurer, two-part checks are printed by the Budgetary Assistant Treasurer. The system automatically posts checks to the various funds, accounts and against the encumbrance as coded on the original purchase order. The checks are given to the Treasurer for signing and to review against the voucher package before the checks are mailed. The original is mailed to the vendor with the remittance. The copy is attached to the purchase order and invoice. The voucher packages are filed at the Treasurer's office by check number. Blank prenumbered checks are stored in a secure, locked location in the Treasurer's office.

A check pay report is run by the Budgetary Assistant Treasurer after the checks are printed and the transactions are posted to the expenditure accounts and against the encumbrance. The check pay report lists the check numbers, date, vendor, invoice amount, fund, account, and a brief description and the check amount of each transaction and is the final documentation for the checks processed. The Treasurer examines the check pay report when issues arise during the monthly bank reconciliation. If issues arise, the Treasurer or Budgetary Assistant Treasurer will utilize the check pay report to compare check amounts on the report to the checks listed on the bank statement to determine if discrepancies exist that need to be resolved. On occasion, checks are voided due to printing problems. Voided checks are brought to the Treasurer's attention during review of monthly bank reconciliations. The Budgetary Assistant Treasurer files all voided checks with the monthly receipts. In addition, the Budgetary Assistant Treasurer maintains a spreadsheet listing all voided checks. A monthly check pay report is provided to the Board of Education at the monthly meetings subsequent to payment. The Board of Education, by resolution, allows the Treasurer to pay all obligations of the School District pursuant 3313.18, R.C. The Budgetary Assistant Treasurer also runs an outstanding purchase order report after each check run to insure that is provided to the Treasurer. The outstanding purchase order report is utilized by the Treasurer when reviewing requisitions.

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**Cash Disbursements**

(continued)

The School District maintains a general checking account, as well as checking accounts for a building project and for payroll. The general and building project checking account reconciliations are prepared by the Budgetary Assistant Treasurer, and the payroll account is reconciled by the Payroll Assistant Treasurer. These reconciliations are reviewed monthly by the Treasurer for reasonableness. The Treasurer signs off on the monthly bank reconciliations. If a check run is necessary in the absence of the Budgetary or Payroll Assistant Treasurers, either the Treasurer or another Assistant Treasurer is trained to perform check runs.

**Auditor of State Comments**

1. The Treasurer currently does not sign off on the check pay reports or check batch reports. The Treasurer should sign off the check batch report to indicate that the report total was reviewed and that adequate fund cash was available for the payment of the invoices listed. The Treasurer should review the check pay report against vouchers and sign off on the report on a more frequent basis to ensure that purchases are reasonable.
  
2. The School District should update its Policies and Procedures Manual regarding its cash disbursements. The Policies and Procedures Manual should identify the process that the Board of Education requires to be followed by individuals responsible for the payment School District obligations. In addition the Policies and Procedures Manual should indicate the frequency and type of reports the Board of Education deems necessary. The Policies and Procedures Manual should clearly identify all aspects and functions of the School District personnel regarding the disbursement of cash and the segregation of duties involved with the cash disbursement process. In addition, the rotation of duties among Assistant Treasurers should be considered to insure that cross-training occurs. The Policies and Procedures Manual has not been updated since it was adopted on March 21, 1989.

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**Financial Accounting Report**

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**Payroll Processing**

**Description of an Effective Method of Payroll Processing**

The processing of payroll should ensure that all employees are compensated on a regular basis for work performed and at the rate approved by the appointing authority. All compensation should be recorded in a permanent record reflecting the hourly rate and hours worked or salary, deductions, and the gross and net compensation for the pay period and the year. Standard deductions such as pension, Medicare, and Federal and State taxes should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the employer should be authorized by the employee and the authorization should be maintained in a file. Payment of the net compensation should be by a check signed by the appropriate official or by direct deposit to a bank account of the employee. Payment of deductions and the related employer obligations should be made timely and reported in the format prescribed by the regulatory agency. Personnel files should contain current contracts, information of the benefits that the employee has selected, withholding forms and any other information required by Federal and/or State laws.

**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 State Teachers Retirement (STRS) and Sections 3309.23, 3309.341, 3309.47, and 3309.49, Revised Code, for 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 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.

Sections 3311.19 and 3313.12, Revised Code, for school board member compensation and mileage; Section 3313.24, Revised Code, for compensation of school treasurers; Section 3319.01, Revised Code, for appointment and duties of the superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other school administrators; Section 3319.08, Revised Code, for teacher employment and reemployment contracts; Section 3319.10, Revised Code, for employment and status of substitute teachers; and Section 3319.081, Revised Code, for contracts for non-teaching classified employees, provide authority for appointment and compensation of officials and employees of a school district.

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**Payroll Processing**

(continued)

**School District's Payroll Process**

The School District currently processes payroll for 160 full time employees and one part time employee. The School District's pay period begins on Monday and ends on Sunday, fourteen days later. Payroll is processed on a biweekly basis for all full and part time employees, including substitutes and payment is made every other Friday. Classified employees are paid on a one week lag and certified employees are paid over twenty-six pay periods. Employees receive an earnings statement with each pay that indicates earnings, withholdings (both year-to-date and for the pay period) and leave usage during the pay period and leave balances as of the end of the pay period.

The School District uses State software to process payroll. All checks are kept in the vault that is locked when the Treasurer or one of the Payroll Assistant Treasurers is not present. A zero balance checking account is used for payroll.

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

**Certified Employees:** The teachers' salaries and benefits are governed by a negotiated agreement between the Barnesville Exempted Village School District and the Barnesville Education Association OEA/NEA. The present contract was originally approved for the time period from July 1, 1998 through June 30, 2001. However, no changes have been made to this contract and its term has been extended through June 30, 2004. The contract extension was approved at the October 16, 2003 Board meeting. The contract establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the contract identifies the annual amount of personal leave to be credited and sick leave accrual amount for certified employees. Certified employees do not earn overtime.

New contracts are prepared for certified teaching staff by the Treasurer. The teachers' contracts are normally mailed in early June prior to the end of the school year. The contracts set forth the number of days to be worked by the employee and the annual rate of pay. The contracts must be signed and returned to the Treasurer's office within ten days. The contracts are reviewed and approved by the Board of Education and become effective September 1 and run through June 30 of the subsequent year.

Once the contracts have been signed and returned to the Treasurer's office, the Payroll Assistant Treasurer enters the contract amounts into the payroll system. The payroll system calculates the amount to be paid to each individual over twenty-six pays and payment occurs from September 1 and ends August 31. The contracts are kept in individual employee files in the Treasurer's office. The Treasurer spot checks the contract amounts entered by the Payroll Assistant Treasurer to the individual contracts. The only time that contracts are adjusted during the year is when a certified employee's degree status changes.

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**Financial Accounting Report**

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**Payroll Processing**

(continued)

The Treasurer is responsible for issuing supplemental contracts, which are issued at the same time regular certified contracts are issued. Any supplemental contract issued to an employee of the District is paid in a lump sum at the end of the season or sport for which the supplemental contract was issued.

**Classified Employees:** The classified employees' salaries and benefits are governed by a contract negotiated between the Barnesville Exempted Village School District and the Barnesville Association of Classified Employees OEA/NEA. The present contract was originally approved for the time period from July 1, 2000 through June 30, 2003. However, no changes have been made to this contract and its term has been extended through June 30, 2004. The contract extension was approved at the October 16, 2003 Board meeting. The contract sets forth hourly rates for all classified positions except secretarial positions which reflect annual salary amounts. The contract sets forth the sick leave accrual amount, and the amount of vacation and personal leave to be credited annually. In addition, the contract defines overtime for each position and the rate of compensation for overtime. Employees are considered full time if they work more than four hours per day. Currently, the School District employs fifty-one full time classified employees and one part-time classified employee.

New contracts are prepared for classified staff by the Treasurer. The contracts are normally mailed in early June prior to the end of the school year. These contracts establish the hourly or annual rate of pay for each employee and the number of hours per day to be worked. The contracts must be signed and returned to the personnel department within ten days. The contracts are reviewed and approved by the Board of Education. Contracts for classified staff typically run for twelve months from July 1 to June 30 of the subsequent year and are paid over twenty-six pays. The signed contract is kept on file at the Treasurer's office.

Classified employees are paid at an hourly rate and include the cafeteria workers, educational and library aids, transportation staff and secretaries. These rates are based upon amounts set forth in the negotiated agreements. A time sheet is completed each pay period by classified employees. The time sheet is submitted to the employee's immediate supervisor. After the employee's supervisor approves the time sheet, it is forwarded on to the Payroll Assistant Treasurer. The Payroll Assistant Treasurer reviews the time sheet, verifying mathematical accuracy, and leave usage to leave approval. Any discrepancies are resolved between the Payroll Assistant Treasurer and the Principal prior to processing.

Overtime earned is paid in the pay period in which it was earned for hourly employees. An overtime sheet must be completed and the hours must be approved by the employee's supervisor and the Superintendent prior to being worked. The approved overtime sheet is sent to the Payroll Assistant Treasurer for review and processing. Any discrepancies are resolved between the Payroll Assistant Treasurer and the principal prior to processing.

**Leave:** Vacation and personal leave is credited to each employee annually as indicated in the respective certified and classified negotiated agreements or in each administrator's contract. Although established by negotiated agreements or in administrators' contracts, all employees currently receive the same amount of sick leave which is accrued monthly. Vacation, personal and sick leave usage is posted in the payroll system by the Payroll Assistant Treasurer according to the amount of time on attendance forms. The system updates the balances automatically. Certified staff does not earn vacation.

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**Financial Accounting Report**

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**Payroll Processing**

(continued)

Employee leave forms must be completed for an employee to use vacation, professional, sick or personal leave. Other forms of leave available to employees are jury duty, bereavement leave, and assault leave. The type of leave desired, the hours to be used and the date is completed on leave the form which is submitted to the employee's immediate supervisor. The supervisor, department head or principal approves leave requests prior to the employee taking the leave, or if the leave is unplanned, the supervisor or principal will approve the leave upon the employee's return. All leave forms are also forwarded to the Superintendent for approval and returned to the supervisors. Each building secretary maintains an attendance report for all regular employees and time sheets for substitute teachers. The building secretary compares attendance reports to approved leave forms and substitute time sheets which are then forwarded to the building principal. At the end of each pay period, the building principal or supervisor forwards the approved leave forms, time sheets and attendance reports to the Treasurer's office for processing.

The Payroll Assistant Treasurer compares absences listed on the attendance report to leave forms and substitute teacher time sheets. For any employees that have not submitted a leave form, the Payroll Assistant Treasurer will contact either the employee or the employee's supervisor and request that the approved form be submitted prior to payroll processing. Both the supervisor and the Superintendent must approve the leave. The leave request form is then submitted to the Payroll Assistant Treasurer. The amount and type of leave used is entered into the payroll system, which automatically deducts the usage from the employee's leave balance.

The Payroll Assistant Treasurer is responsible for keeping vacation, sick, personal and other leave records for both certified and classified employees. A report is run each pay listing the outstanding balances for all leave types by employee. The balances can also be viewed on the computer by the Payroll Assistant Treasurer. The manually kept leave sheets are used to verify balances in the event that an employee questions leave information as reflected on their earnings statement.

Any leave without pay request must be pre-approved by the Superintendent. He prepares a letter authorizing the leave and sends a copy to the Treasurer's office. The Payroll Assistant Treasurer prepares an estimate of the amount to be adjusted on the employee's original contract in relationship to the amount of the leave requested. The estimate is sent to the employee. The estimate is then entered into the payroll system. The system subtracts the amount of leave without pay from the regular contract pay in the pay period or periods in which the leave is taken.

**Other Employees:** Substitute teachers are paid \$65 per day and are used as needed. A list of substitutes is approved each year by the Board of Education. Substitute teachers complete a daily time sheet which is used by the building secretary for comparison to the daily attendance report and leave forms. The time sheets, leave forms and attendance reports are forwarded to the Payroll Assistant Treasurer. The Payroll Assistant Treasurer reviews the time sheets for accuracy and compares the time sheets to the attendance report and leave forms received from supervisors and principals. If any discrepancies are noted, the Payroll Assistant Treasurer resolves them with the supervisor or principal and superintendent.

Board members are paid at a rate of \$80 per meeting. There is no maximum amount that a board member can earn in a year. The Treasurer's office prepares checks for each board member based upon board minutes.

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**Financial Accounting Report**

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**Payroll Processing**

(continued)

**Retirement:** Payroll, tax, and retirement forms are given to new employees to be completed, signed, and returned to the Treasurer's office. The Payroll Assistant Treasurer then enters the information into the computer. If employees need to change their payroll, tax or retirement information, they can obtain the appropriate forms from the Payroll Assistant Treasurer. Upon return, the changes are entered into the payroll system. Withholding and various deduction forms are maintained in the Treasurer's office.

Payroll deductions for STRS, SERS and medicare are processed through the payroll system. The Payroll Assistant Treasurer is responsible for the payment of these benefits when due. The Board also has pick up for the employee share of STRS which is paid separately to STRS. The STRS program prints two reports: an employees' share report and a Board share report. The Board share report lists the days paid for the employees whose portion of STRS is picked up by the Board. The amount of the employee share is transferred from the general checking account into the payroll checking account by check. A separate check is issued from the general checking account to the payroll checking account for the Board pick-up and both checks are sent to STRS. The pickup is reconciled to the monthly payroll report.

The employer share of STRS is withheld semimonthly from the School District's state foundation. An annual report is prepared by the Payroll Assistant Treasurer, which is reviewed and signed by the Treasurer and filed with STRS when required. SERS is withheld semimonthly from the School District's state foundation. The Treasurer's office electronically forwards a listing of employees, the days worked, and earnings to SERS.

**Other Employee Benefits:** The School District offers medical/surgical, prescription, vision, dental and life insurance to all full time employees. Medical/surgical, prescription and vision benefits are provided through the Health Plan of the Upper Ohio Valley. Dental and life benefits are provided through MetLife. The School District pays 100 percent of the monthly premiums for the Health Plan and MetLife coverage. The Payroll Assistant Treasurer maintains a spreadsheet identifying the type of coverage and premium amount for each employee. All payroll deduction reports, insurance invoices, and the spreadsheet are maintained by the Payroll Assistant Treasurer. The Payroll Assistant Treasurer is responsible for the payment of the insurance premiums when due subsequent to verifying invoices to the spreadsheet. Any discrepancies between the amounts billed for insurance coverage when compared to the spreadsheet are brought to the Treasurers attention so the matter can be resolved.

Until December 31, 2003, medical/surgical, prescription, dental and vision coverage was also available through a self-insured program. The School District was a member of the OME-RESA claims servicing pool. The School District paid ninety percent of the monthly premium under the self-insurance program and employees paid the remaining ten percent. Under the self-insurance program, the School District premiums were actuarially determined by OME-RESA through a third party administrator. The premiums were paid to the fiscal agent who in turn paid claims on the School District's behalf. Excess insurance coverage (stop loss) was provided for individual claims in excess of \$35,000 up to \$75,000 by an internal pool stop loss fund. Additional excess coverage was provided in excess of \$75,000 by AIG Insurance. Annual aggregate coverage was provided for the OME-RESA Self Insurance Pool as a whole, and did not cover individual participants. Administrative costs, including the cost of internal stop loss coverage and the external stop loss insurance coverage, were included in the monthly premium amounts. Amounts subject to excess insurance coverage were paid by the School District, and reimbursement was received by the School District from either the internal pool or the external provider of excess coverage. Information regarding amounts subject to stop loss reimbursement was maintained by OME-RESA. The School District received monthly statements from the

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**Financial Accounting Report**

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**Payroll Processing**

(continued)

OME-RESA Self Insurance Program which detailed claims paid for each covered employee. The Treasurer reviewed monthly claims reports to determine that payment amounts were for School District employees covered by the program and to determine if any claims were being billed more than once.

**Payroll Processing:** The Payroll Assistant Treasurer begins to organize payroll documents and time sheets on Fridays of the week prior to payroll processing, and continues until all documents are received. All payroll information must be received by the Monday following the end of a pay period. Payroll information is entered into the payroll system throughout the first week of the payroll processing cycle. On Tuesday of the week of the processing cycle, the Payroll Assistant Treasurer finalizes all payroll information and prints checks that afternoon which are dated for Friday.

Once all deduction checks are printed, the final payroll reports are run. The state payroll software system automatically posts the payroll information to all of the appropriate accounts within the payroll and accounting system based upon contract information previously entered into the system. The Treasurer reviews and signs the payroll distribution report to determine that the totals on the report agrees to the total of the checks to be issued from the general checking account to the payroll checking account.

Checks are printed by the Payroll Assistant Treasurer and direct deposits are submitted by tape to the bank on Wednesday. The check register is then printed for all checks. Checks are signed through a check signer by the Payroll Assistant Treasurer. The signer and keys are in a locked room and only the Payroll Assistant Treasurer and Treasurer have access to the keys for operation.

Payroll checks are separated by department and delivered to the respective buildings and offices to be distributed by the building principals. Payroll checks to be mailed are put in the mail on Thursday morning and are delivered on Friday.

If an employee is absent on payday, the check is mailed to his or her home unless the employee has made arrangements with his or her supervisor and the payroll department. If an employee needs to pick up a check early, arrangements must be made to pick up the check directly from the Treasurer's office by completing a release form.

If a check is lost, an immediate stop payment order is issued. The payroll check is voided and a new check is issued. The check is marked "void" in the check register. All information is given to the Treasurer for use in verifying the payroll account reconciliation.

Internal Revenue Service W-2 forms are processed after the last payroll for the calendar year. Calendar year reports are provided in addition to the W-2 forms, both of which are mailed by the end of January.

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**Financial Accounting Report**

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**Payroll Processing**  
(continued)

**Auditor of State Comments**

1. The School District should update its Policies and Procedures Manual regarding its payroll processing to more accurately depict the duties, processes and segregation of duties involving the payroll process. The Policies and Procedures Manual has not been updated since it was adopted on March 21, 1989.
  
2. The School District should request detailed information from OME-RESA for claims paid by the self insurance program that were subject to stop loss reimbursement. This will enable the School District to determine if any amounts are owed to the School District from the internal stop loss pool for claims paid in excess of \$35,000 per individual up to \$75,000. This will also enable the School District to determine if any individual claims above \$75,000 that are subject to external stop loss reimbursement are owed to the School District.

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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 any debt is issued, a resolution authorizing the issuance of the debt should be passed by the School Board. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the maturity, interest rate, and the source of revenue to be used for repayment. Debt proceeds should be receipted into a separate fund and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be receipted in a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

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

**School District's Debt**

The amount of the School District's outstanding debt at March 18, 2004 is \$3,070,000, which consists of a School Facilities Bond Issue from 2000 at an interest rate of 5.86%. The bonds will mature December 1, 2023.

The funds for payment of principal and interest on the bonds are provided by property taxes accounted for and paid from the Debt Service Fund.

**Auditor of State Comments**

1. The School District should consider inquiring with bond counsel about refunding the outstanding bonds. The School District may be able to refund the outstanding bonds at a more favorable interest rate that will result in cash savings.

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**Financial Accounting Report**

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**Capital Assets and Supplies Inventory**

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

Capital assets of the School District should be adequately safeguarded against loss or theft. The School District should have a policy that defines capital assets, establishes capitalization thresholds, minimum useful lives, and policies relating to the system and methods to be used in tracking capital assets. An inventory should be maintained including a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, the annual depreciation amount, fund and account purchased from, tag number, whether the item is leased, current year depreciation and the accumulated depreciation. The inventory should be updated throughout the year for purchases and disposals. Verification of the listed assets should be performed periodically. The disposal of an asset should be properly authorized and reported to the treasurer so that any proceeds from the disposal can be properly recorded, the asset can be removed from the capital asset listing, and insurance coverage be discontinued.

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

**Administrative Code Requirements:** Section 17-2-02 (D)(4)(c) of the Ohio Administrative Code requires that the school district maintain "capital asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number.

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

The Board of Education has adopted formal policies regarding capital assets. In general, these policies require the maintenance of a capital asset accounting system and for the recording and reporting of all capital assets with a purchase price of \$5,000 and above. In addition, all assets with an original cost of one hundred dollars or greater are tagged so they can be tracked for insurance purposes. The last physical inventory was performed by Valuation Engineers during March of 2003. The School District currently uses capital asset tracking software that was purchased from Valuation Engineers. The software is used by the Treasurer to track capital asset acquisitions and dispositions. In addition, the software will generate the necessary accounting reports required for capital asset reporting in the School District's financial statements.

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## **Financial Accounting Report**

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### **Capital Assets and Supplies Inventory**

(continued)

The Budgetary Assistant Treasurer identifies items meeting the School District's policy for capitalizing assets in conjunction with the Treasurer. Requisitions, purchase orders and vouchers are manually reviewed during the purchasing and cash disbursements process to identify items meeting the capitalization threshold, or the insurance threshold. Throughout the year, the originator of the purchasers are provided an asset acquisition form and a capital asset tag by the Budgetary Assistant Treasurer for items that meet the criteria for capitalization or items to be tagged for insurance purposes. The asset acquisition form is completed by the purchaser and the purchaser or Budgetary Assistant Treasurer tags the item. The form is completed by the purchaser and includes a complete asset description, serial number, and location. A similar form is completed for asset dispositions. The asset disposition form identifies the tag number, asset description, and asset serial number. The information is then entered into the capital asset software throughout the year. In June of each year, a review of purchases in the 600 and 700 objects occurs to insure that no capital asset additions have been overlooked. No disposals have been reported for the last three years. Capital asset reports are generated from the software to reflect all information required for capital asset reporting.

The technology department maintains a listing of all technology equipment in the School District. All new computer equipment is delivered directly to the building. The building secretary and technology coordinator notify the Budgetary Assistant Treasurer that the equipment has been delivered. The Budgetary Assistant Treasurer then goes to the building to tag the computer equipment as it is being located in the classroom or department.

The curriculum department maintains an inventory of all textbooks. The curriculum specialist in each building counts textbooks, and completes an inventory form. The completed forms are sent to the curriculum supervisor who reviews the completed forms. The curriculum supervisor then sends the completed forms to the director of curriculum who maintains a master list.

An inventory of musical instruments is maintained. Parents and students sign a contract upon receipt of the instruments. The building music specialists maintain the inventory listing. A fee is collected from the students to offset repair costs of damaged instruments.

The School District underwent a \$20 million building and renovation project that was completed during fiscal year 2003. A new middle school was constructed and the high school and elementary buildings were renovated. Subsequent to the completion of the project, Valuation Engineers updated the School District's capital assets inventory records to include the construction and renovation project asset values and related information.

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

The Board has adopted a policy that requires a physical inventory of supplies be taken at the building level at the close of the school year. A year-end physical inventory of supplies is also performed for the special education, maintenance and guidance departments as well as for food service and the bus garage. Each year, a memorandum is sent to department heads, principals and supervisors requesting a listing of the supply inventory remaining at fiscal year end. The listings are submitted to the Treasurer's office. Inventories are not physically counted by the Treasurer's office.

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**Financial Accounting Report**

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**Capital Assets and Supplies Inventory**

(continued)

The bus garage maintains a manual log to track fuel usage. The log lists the vehicle, mileage and gallons used. This information is utilized to track overall usage to fuel purchases. In addition, the bus garage supervisor utilizes a computer software package to maintain a parts inventory which is reviewed and updated on a monthly basis. Use of the software will be expanded to include fuel tracking beginning July 1, 2004.

The building food service supervisors complete monthly inventory reports and provide them to the food service supervisor. The inventory is maintained by the food service supervisor using an Excel spreadsheet. The food service secretary uses the spreadsheet information to complete reports online which are submitted to the State Department of Education.

**Auditor of State Comments**

1. As an additional control over capital assets and to prevent theft or loss and to confirm the accuracy of the capital asset records, a physical inventory of capital assets should be taken by the School District on a periodic basis.
  
2. The School District should update its Policies and Procedures Manual regarding its capital assets to more accurately depict the duties, processes and segregation of duties relating to the acquisition, maintenance and disposition of capital assets. The policies need to address such items as useful lives, depreciation methods and capitalization thresholds. In addition, the policies need to address the periodic inventory of capital assets, and should establish a multi-year plan for capital asset acquisitions in conjunction with required set-asides for textbooks, instructional materials and capital acquisitions. The Policies should also address how computer equipment is to be tracked and the frequency in which it will be replaced. The policies should address the individuals responsible for tracking equipment to insure that there is none missing. For personal items brought to the buildings by employees, the policies should address how these are to be identified. The supplies inventory policy needs to be updated to address the frequency of the inventory, items to be inventoried, method to be used, individuals responsible for inventory items and individuals responsible for verifying the count. In addition, the policy needs to address that a review process is in place to insure that amounts purchased are reasonable.

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**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 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 State statutes and Board policy. Cash management and investment activities of a school district are additionally governed by Sections 135.01 to 135.22, 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.

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**Financial Accounting Report**

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**Cash Management and Investing**

(continued)

**School District's Method of Cash Management and Investing**

The School District's treasury activities are the responsibility of the Treasurer. These activities include the acquisition and sale of investments and the transfer of cash assets among the various bank accounts. The School District maintains the following three checking accounts to segregate and control cash flow.

General Account	This checking account is used for the general operation of the District.
Building Project Account	This checking account was used to account for payments to contractors, consultants and architects for building projects. The current amount remaining in the account will be used for outstanding contract amounts.
Payroll Account	This checking account is used for biweekly payroll distribution.

The Budgetary Assistant Treasurer prepares the outstanding check list, identifies deposits in transit and prepares monthly bank reconciliations for the general and building project accounts. The Payroll Assistant Treasurer prepares the outstanding check list, identifies deposits in transit and prepares the monthly bank reconciliation for the payroll account. When preparing the bank reconciliation, the Budgetary and Payroll Assistant Treasurers reconcile checks, deposits and interest income for all accounts. The Treasurer then reviews and signs off on each bank reconciliation. Any adjustments relating to posting errors or bank errors that are discovered by the Treasurer's review are discussed with the Assistant Treasurers until a decision is reached and the problem is resolved.

The School District currently does not have an investment policy. The Treasurer attends annual investment training. Investments are limited to overnight no-load money market sweep accounts. Interest is allocated based upon State Statute.

**Auditor of State Comments**

1. The School District needs to implement a formal investment policy to be approved by the Board. In the absence of an approved formal investment policy, Section 135.14 (O) (2), R.C., investments are limited to no-load money market mutual funds or the Ohio subdivision's fund.
2. Preparation of the bank reconciliations should be rotated among the Assistant Treasurers and Treasurer.
3. The School District should update its Policies and Procedures Manual regarding its cash management and investing processes to more accurately depict the duties, processes and segregation of duties involving the cash management and investing. The Policies and Procedures Manual has not been updated since it was adopted on March 21, 1989.

# Barnesville Exempted Village School District Belmont 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 financial statements within 150 days of fiscal year end.

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

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

**Administrative Code Requirements:** By July 31 of every year, the treasurer shall complete a Form 4502, Annual Financial Report, for the Ohio Department of Education. The report is generated by the school district's computer system and is electronically transmitted to the Department of Education.

School districts are required by Section 117-2-03(B) of the Ohio Administrative Code to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

#### School District's Financial Reporting Process

The School District uses State software and therefore has the ability to generate and print multiple standard and customized month-and year-to-date reports. The School District prepares month-and year-to-date reports, places them in binders and stores them in file cabinets in the Treasurer's office. Throughout the year various payroll reports are kept on file in the Treasurer's office. The Cash Basis Annual Financial Report, 4502, is completed by July 20 each year and is submitted electronically to the State Department of Education.

The School District accounts for its daily operations on a cash basis of accounting. The School District prepares an annual financial report in accordance with GAAP on a timely basis. Following the release of the School District's annual financial report in accordance with generally accepted accounting principles (GAAP), the Treasurer supplies the Board members with copies.

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**Financial Accounting Report**

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**Financial Reporting**  
(continued)

**Auditor of State Comments**

1. The duties and responsibilities of the Treasurer in the Policies and Procedures Manual needs to be updated to address that the School District must file GAAP basis financial statements within 150 days after fiscal year end.

**Barnesville Exempted Village School District  
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**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 should be drafted and available for all members to read and vote upon. In the adoption or passage of a bylaw or resolution, the yeas and nays should be entered into the minutes and the bylaw or resolution should be signed by the presiding officer and the treasurer. All Board minutes and resolutions should be maintained as a permanent record of the Board.

**Statutory Requirements**

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

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

Section 122.22, Revised Code, requires the minutes to provide a full and accurate disclosure of the proceedings of Board meetings, except for legally conducted executive session discussions.

**Auditor of State Comments**

1. The Board of Education needs to ensure that the record of proceedings for each meeting is approved at the succeeding board meeting. Currently, multiple records of proceedings of prior meetings are being approved at once, rather than at each succeeding meeting.
2. The School District needs to ensure that the President of the Board of Education and the Treasurer sign off on each record of proceedings for each meeting after approval by the Board of Education. Not all current board minutes have been signed by both the President and the Treasurer.

**Barnesville Exempted Village School District  
Belmont County**

**Financial Accounting Report**

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**Conclusion**

The activities 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 and Procedures Manual, resolutions, administrative rules and the Ohio Revised Code. These methods in some cases vary from the actual methods used in performing the daily activities.

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



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**BARNESVILLE EXEMPTED VILLAGE SCHOOL DISTRICT**

**BELMONT COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 15, 2004**