

SPRINGFIELD LOCAL SCHOOL DISTRICT

SUMMIT COUNTY

FINANCIAL ACCOUNTING REPORT

Local Government Services Division
Auditor of State's Office

**Springfield Local School District, Summit County
Financial Accounting Report**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

CERTIFICATION

Within ninety days after the declaration of the existence of a fiscal emergency condition pursuant to Section 3316.03(B), Revised Code, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports of the Springfield Local School District. This report states whether the School District is in compliance with Section 117.43, Revised Code, and the requirements of the Auditor of State.

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

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

JIM PETRO
Auditor of State

May 11, 2000

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Governance Overview

Springfield Local 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 Springfield Local School District being declared in a state of fiscal emergency, the School District was operated under a locally-elected five-member Board of Education and provided educational services mandated by the State and/or federal agencies.

On February 11, 2000, the Springfield Local 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. The Commission membership consists of the following:

1. The Director of Budget and Management or a designee;
2. The Superintendent of Public Instruction or a designee;
3. A local business person appointed by the Governor;
4. A parent with children enrolled in the School District appointed by the Superintendent of Public Instruction; and
5. A resident of the School District and owner of a local business appointed by the County Auditor.

The primary powers, duties and functions of the Commission are:

1. Review or assume 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. Inspect and secure pertinent documents;
3. Review, revise and approve determinations and certifications affecting the School District made by the county budget commission or the county auditor;
4. Bring civil actions to enforce fiscal emergency provisions;
5. Implement steps necessary to bring accounting records, accounting systems and financial procedures and reports into compliance with the Auditor of State's rules;
6. Assume responsibility for all debt issues;
7. Make and enter into all contracts necessary or incidental to the performance of its duties;
8. Implement cost reductions and revenue increases; and,
9. Develop a financial recovery plan.

A Financial Planning and Supervision Commission has been established and given the authority to assume complete managerial control of the School District. Currently, the Commission has assumed the power to approve all purchase orders and the following contracts:

1. Collective bargaining agreements,
2. Contracts of purchases in excess of \$10,000,
3. Employment contracts for all positions other than temporary positions.

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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 or the Auditor of State, and the Governor, the Director of Budget and Management, and the County Budget Commission, the Commission will be terminated.

Upon termination of the existing fiscal emergency and the Commission, all responsibility for the management of the School District will revert to the locally-elected Board.

Auditor of State Comments

None.

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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 and the amounts appropriated for each fund should not exceed the estimated resources available for the year. The budget should present sufficient information to identify the major sources of revenues and the programs, activities, and major objects of expenditures. The process should encompass current operations and maintenance for the various school district departments, student programs, capital acquisition and replacement, 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 balances available for obligation.

Statutory Requirements

The budgetary process is prescribed by provisions of the Ohio 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, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is established by the board at the object level within each function. Any budgetary modifications at this level may only legally be made by resolution of the board of education.

Tax Budget Prior to January 15, the board of education is required to adopt an operating 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 actions.

Estimated Resources Prior to April 1, the board of education accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's certificate of estimated resources which states the projected 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 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. 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 of education. 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

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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 the legal level of appropriation must be approved by the board of education. The board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources.

Budgeted Levels of Appropriation Administrative control is maintained at the board's level of appropriation, which is generally by fund, function and object level, e.g., general fund, regular instruction, personal services. Appropriated funds may not be expended for purposes other than those designated in the appropriation resolution. The appropriations made by the board remain fixed unless amended by the board.

Encumbrances As part of formal budget control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and/or maintain legal compliance with the adopted appropriations. Expenditures plus encumbrances may not legally exceed appropriations.

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. The budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. Public hearings are conducted to obtain taxpayer comments. By no later than January 20, the Board-adopted budget is filed with the Summit County Budget Commission. In the Springfield Local School District, 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.

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources. After the close of the fiscal year, the Treasurer of the Springfield Local School District, with Board approval, revises the appropriations so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the most recent Certificate of Estimated Resources. On or about July 1, the Treasurer requests an amended certificate for the new fiscal year that will include any unencumbered cash balances from the preceding year. The Treasurer requested an amended certificate after the end of the fiscal year for projected revenue changes.

When preparing the appropriations, the District considers the most recent Certificate of Estimated Resources issued by the County Auditor as the maximum amount available for appropriation. The appropriations are based on the prior year spending and any anticipated changes. The Treasurer estimates the amount of appropriations needed which serves as a basis for the Board resolution. The appropriations are then adopted and certified by the Board of Education. The Board adopts appropriations at the fund, function, object, and special cost center level for all funds. The Treasurer then records the appropriations in the computer at these amounts.

The Springfield Local School District operates under a temporary appropriation measure and then passes a permanent appropriation measure. For fiscal year 2000, the School District passed temporary appropriations on June 8, 1999 and permanent appropriations on October 20, 1999. Revisions to the appropriations and supplemental appropriations are approved by the Board of Education.

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All commitments for the expenditure of monies, except salary commitments, are encumbered to keep spending within the amounts authorized. Since salary commitments are governed by contracts, this provides an additional level of control over spending. The permanent appropriations incorporate amounts required under the contracts. The School District uses blanket certificates, purchase orders, and then-and-now certificates. The then-and-now certificates are mainly used for teacher mileage reimbursements. The School District does not use super blanket certificates.

Two other situations that affect the School District's budgetary process are as follows:

1. The School District has implemented the provisions of HB412 which require the set-aside of money for textbooks and instructional materials, capital improvements and maintenance, and the budget reserve.
2. On November 2, 1999, the School District attempted to pass a 9.37 mill emergency, five-year levy. The attempt failed. It was the School District's third successive failed attempt to pass a levy.

Auditor of State Comments

1. The School District requested an Amended Official Certificate of Estimated Resources for fiscal year 1999 after the end of the fiscal year and used those amounts for their final fiscal year 1999 appropriations. Consistent with guidance provided in Auditor of State bulletin 97-010 in interpreting Section 5705.36, Revised Code, only the amounts in the last Amended Certificate of Estimated Resources that was requested during the fiscal year shall be used as a basis for the School District's final appropriations. The date of the Amended Certificate should be evidenced by a notation in the minutes of or a resolution by the legislative authority of the District.
2. The final fiscal year 1999 appropriations were approved after the end of fiscal year 1999. The School District should pass final appropriations for the fiscal year prior to fiscal year end. The authorization for the expenditures was passed after the expenditures were made.

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Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent classification and identification of each receipt. All receipts should be promptly recorded, safeguarded and deposited at least daily. The receipt or pay-in order form should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the school district and reflect the date received, the payee, 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 payee. All receipts or pay-in orders should be posted in a timely manner.

School District's Revenue Receipt Process

The Springfield Local School District's receipts are in the form of wire transfers, checks and cash. Revenues received are, usually, property taxes from the County, school foundation monies from the Ohio Department of Education, grants or entitlements from various sources, interest and miscellaneous revenues including amounts collected at the individual school buildings. The Treasurer's office primarily handles receipts in the form of wire transfers or checks. The school building principal or secretary is responsible for all of the banking needs of their school building.

All school buildings receive their own mail except Lakemore Elementary School which has a post office box. The Lakemore Elementary School principal picks up the mail from the post office box daily. The District's interoffice mail consists of each building principal picking up and dropping off mail at the administration building. At the administration building, mail is delivered daily to the Superintendent's office. The Superintendent's Secretary sorts and distributes the mail.

Building receipts (fees, fines, etc)

At the high school, student fees and fines are collected and processed through the cash register in the high school business office by either the Business Office Secretary or the Accounts Clerk, whose office is in the high school. The student is given a receipt and a copy of the receipt remains in the receipt book. The cash register tape is reconciled weekly to the receipts and the cash in the cash register. After the cash register tape is reconciled, a deposit slip is prepared and the monies are deposited.

Each advisor or student representative for a club or group prepares a deposit slip and a pay-in, places the deposit slip and the money into a bank bag, locks the bank bag, and gives the bank bag and pay-in to the Accounts Clerk. The Accounts Clerk deposits the bank bags every afternoon. The School District uses a two part deposit slip which consists of a white original and a yellow copy. The empty bank bags are picked up the next morning. The original, white pay-in is given to the student as a receipt. The yellow copy of the pay-in remains in the pay-in order book. The Accounts Clerk posts the information into the computer from the yellow copy.

Monies are collected in the classrooms at the elementary and middle schools and then it is taken by the teachers to their building secretary. The teachers give the students the white, original receipt. The pink copy of the receipt is kept in the teacher's receipt book. The teachers prepare a list of the students names and amounts from the pink receipts. The list is given to the building secretary. The building secretary prepares

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the daily deposit slip and pay-in, places the deposit slip and money into a bank bag, locks the bank bag, and gives the bag to the principal. The principals bring the money bags to the administration building and place them in the safe in the Treasurer's office. The Accounts Clerk stops at the administration building before making the daily high school deposit, takes the bank bags out of the safe, and makes one trip to the bank for the entire School District. The bank processes the deposit, keeps the white original deposit slips, and gives the Accounts Clerk a receipt for each deposit slip along with the yellow copies of the deposit slips. The Accounts Clerk picks up the empty bags from the bank each morning. She returns to the high school with the yellow copies of the deposit slips, matches them with the appropriate pay-in order and posts them in the computer. The School District uses a four part pay-in order. The yellow and blue copies of the pay-ins, the deposit receipts, and the bank bags are returned to the originator (the building secretary or the activity advisor) through the interoffice mail. The Accounts Clerk writes the week of the receipt on the white original and files it in the student activity office at the high school by the name of the group, if a student activity receipt, or by the originating building. She files the pink copy by date. She takes the yellow copies of the deposit slips to the Treasurer's office and gives them to the Accounts Payable Clerk for the reconciliation at the end of the month.

None of the school buildings have written procedures for the collection of monies which indicates that policies followed may be inconsistent or incomplete.

Invoiced receipts

Invoiced receipts are prepared by the Business Manager's Secretary. The School District invoices the Marantha Bible Church for use of the facilities on a monthly basis, individuals or groups for use of buildings or gymnasiums on an occasional basis, the Summit County Board of Mental Retardation for bus fuel, the contract bus service company for reimbursement of fuel which the School District pays for at the local gas station (this is for buses that use regular fuel), and the contract bus service company for reimbursement of diesel fuel which the School District purchases.

The Marantha Bible Church uses the School District's facilities every Sunday evening. The Audio/Visual Director of the School District prepares a monthly summary and sends it through the interoffice mail to the Business Manager. The summary includes the rooms used, basic charge for each room, hourly rate for each custodian who worked during that time, hours worked by the custodians, retirement costs related to the custodians, and an estimate of the cost of workers' compensation expense incurred for the hours the custodians worked. The Business Manager reviews the summary, corrects any errors, and gives the corrected summary to his secretary. The Business Manager's Secretary reviews the extensions and makes any necessary corrections, prepares the monthly invoice, mails the original letter to the church and a copy to the Audio/Visual Director, and files the School District's copy in a file that is kept in her desk drawer. The checks are received by the Business Manager's Secretary or the Accounts Clerk. If the Business Manager's Secretary receives the check, she gives it to the Treasurer to give to the Accounts Clerk when she comes to the administration building. The Accounts Clerk prepares the deposit slip and pay-in, deposits the check, and posts the pay-in in the computer. After the check has been received, the Accounts Clerk makes a copy of the check and the distribution and sends them through the interoffice mail to the Business Manager's Secretary who attaches them to the invoice and supporting documentation in her folder.

If the church uses the School District's facilities another week night other than Sunday, the invoice process is the same as above.

Individuals or groups use the School District's facilities occasionally. They must complete an Application for Use of School Facilities form which is obtained from the Business Manager's Secretary. The form is

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reviewed by the Business Manager who marks on the form if a fee will be charged, calculates the custodians time, and totals the charges. The Business Manager gives the form to the Special Services Secretary who distributes the copies. The form has five parts. The Special Services Secretary places the white original in a three ring binder that is filed by building and is kept in the Business Manager's office. She mails the pink copy to the applicant and places the green and goldenrod copies in the interoffice mail. The green copy is delivered to the principal and the goldenrod copy is delivered to the custodian of the building that will be used. The yellow copy is given to the Business Manager's Secretary who enters the invoice number and amount into the invoice form letter. The custodians mark the overtime worked on their time cards and indicate the group that used the building. The Business Manager reviews all of the custodian time cards. The Business Manager tells his secretary that the facility has been used and the name of the group. She mails the invoice to the applicant and attaches a copy of the invoice form letter to the yellow copy of the application and files them in a folder that she keeps in her desk drawer. The checks are received by the Business Manager's Secretary or the Accounts Clerk. If the Business Manager's Secretary receives the check, she gives it to the Treasurer to give to the Accounts Clerk when she comes to the administration building. The Accounts Clerk prepares the deposit slip and pay-in, deposits the check, and posts the pay-in in the computer. After the check has been received, the Accounts Clerk makes a copy of the check and the distribution and sends them through the interoffice mail to the Business Manager's Secretary who attaches them to the invoice and supporting documentation in her folder.

The Summit County Board of Mental Retardation (MRDD) uses one of the School District's gas pumps. The gas pump has four keys for reading and operating the pump. The four keys are for the Summit County MRDD buses, School District maintenance vehicles, the contract bus maintenance company cars, and buses.

The School District contracts for bus maintenance, repairs, and drivers from a single company. The School District purchases fuel for the buses. The contract company uses the fuel and reimburses the School District. The School District has one key which is used exclusively by the contract company for their company cars and one key that is used exclusively by the contract company for their buses.

The Business Manager reads the meter on the gas pump on the first day of every month. He records the reading on a slip of paper and gives it to his secretary who keeps a running log of the readings. The difference between the beginning and ending readings is the amount of fuel used during the month. When the School District is invoiced for fuel purchases, the Accounts Payable Clerk makes a copy of the invoice and gives it to the Business Manager's Secretary. The price per gallon of the fuel and the monthly fuel consumed are entered into a spreadsheet which calculates the amount owed. She enters the current and previous reading date and amount, the price per gallon, and any surcharge amount into the invoice form letter. She mails two copies of the invoice and a copy of the fuel bill to Summit County Board of Mental Retardation. She places the original invoice with a copy of the fuel bill in a file that is kept in her desk drawer. After the check has been received, the Accounts Clerk makes a copy of the check and the distribution and sends them through the interoffice mail to the Business Manager's Secretary who attaches them to the invoice and supporting documentation in her folder. The Accounts Clerk then prepares a deposit slip, places the check in a bank bag along with the other daily deposits, and takes the bag to the bank.

The School District has an open account with a local gas station. The Business Manager's Secretary sends the gas station a list of everyone who can charge gasoline on the School District's account. The School District purchases gasoline for lawn mowers, tractors, weed trimmers, cars, and contract buses that run on regular fuel. The School District employees and the contract company employees sign a receipt when they purchase gasoline. Once a month, the Business Manager's Secretary walks to the gas station to get the fuel receipts. The receipts are separated into receipts signed by School District employees and receipts signed

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by the contract company employees. She totals the contract company receipts, enters the invoice number and the total on the invoice form letter, and makes copies of the receipts. She mails the invoice and copies of the receipts to the contract company. She places a copy of the invoice and the receipts in a file that is kept in her desk drawer. After the check has been received, the Accounts Clerk makes a copy of the check and the distribution and sends them through the interoffice mail to the Business Manager's Secretary who attaches them to the invoice and supporting documentation in her folder. The Accounts Clerk then prepares a deposit slip, places the check in a bank bag along with the other daily deposits, and takes the bag to the bank.

Checks

The Business Manager's Secretary and the Accounts Clerk receive checks through the mail. The Business Manager's Secretary gives the checks to the Accounts Clerk when she comes to the administration building. The Accounts Clerk prepares the pay-ins and deposit slips for checks. The Accounts Clerk treats these deposits and pay-ins the same as the other building receipts mentioned above.

School Foundation

The school foundation monies are wire transferred into the School District's account. The District receives the statement in the mail. The Treasurer prepares the distribution and assigns the account codes and then enters the information into the computer. No pay-in is prepared for this receipt. She uses a memo check for the expenditures. Memo checks are used to enter expenditure information into the computer without printing a check.

County Auditor Settlements

The District receives tax money from the Summit and Portage County Auditors. The settlement monies are wire transferred into the District's account. The Treasurer prepares the distribution, assigns the account codes, and posts the information in the computer. No pay-in is prepared for this receipt. She posts the expenditures as reductions of receipts, which means that all tax settlements are posted net and no County Auditor charges are recorded.

Cafeteria Receipts

The District prepares breakfast and lunch at all eight school buildings: High School, Schrop, Spring Hill, Roosevelt, Lakemore, Young, Sawyerwood, and Boyer. All cafeteria managers have a roster of the students who qualify for free or reduced meals. The high school, Schrop, and Spring Hill have two cafeteria lines while all the other schools have one cafeteria line. Students at the elementary schools can also buy snacks while students at the high school and middle school can buy lunch or *ala carte* items.

At the high school, students who qualify for free or reduced meals are given a laminated card that shows their name. The cafeteria cashier collects the cards from the students at the register at meal time. The Cafeteria Manager collects the cards from the cashier after the meal and gives them to the building secretary who places them in the homeroom teachers' mailboxes. The students pick up their cards from the homeroom teacher at the start of the next day.

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The elementary and middle school students buy weekly tickets from the building secretaries who give the cards and money to the cafeteria managers. A weekly ticket purchases five lunches for a student. The prepaid tickets are kept next to the cash register. When the students go through the line, the cashier crosses one lunch off of the ticket.

The cash register tapes record the amount of the sale and the type of sale. Sales are categorized as free meal, reduced price meal–prepaid, reduced price meal–cash, reduced price meal–charge, student worker meal, full price meal–prepaid, full price meal–cash, full price meal– charge, adult meal, adult milk, adult *ala carte*, student milk, and student *ala carte*. After the breakfast meal, the cafeteria managers reconcile the cash register tape to the cash drawer and prepare a deposit slip. The cafeteria managers uses a two part deposit slip which consists of a white original and a yellow copy. The cafeteria managers take the deposit slip and money to the bank in a locked bank bag. Cafeteria monies are deposited into a cafeteria checking account. The bank processes the deposit, keeps the white original deposit slip, and gives the cafeteria manager a receipt for the deposit and the yellow copy of the deposit slip. The cafeteria manager uses the yellow copy of the deposit slip, receipt, and register tape to prepare the breakfast daily meal and cash report. The report, yellow copy of the deposit slip, receipt, and register tape are then placed in a folder for the weekly deposits.

The cafeteria manager resets the cash register for lunch. After lunch, the cafeteria manager reconciles the cash register tape to the cash drawer, prepares a deposit slip, and takes the deposit slip and money to the bank. The bank processes the deposit, keeps the white original deposit slip, and gives the cafeteria manager a receipt for the deposit and the yellow copy of the deposit slip. The cafeteria manager uses the yellow copy of the deposit slip, receipt, and register tape to prepare the lunch daily meal and cash report. The report, yellow copy of the deposit slip, receipt, and register tape are then placed in a folder for the weekly deposits.

On Friday, the cafeteria managers send the yellow copies of the daily deposit slips and the daily reports to the Business Manager’s Secretary. The Business Manager’s Secretary reviews the daily reports, prepares the pay-in, and posts the pay-in on the computer. At the end of the month, the cafeteria managers summarize the daily information on the breakfast and lunch daily worksheets. Copies of the worksheets are sent through the interoffice mail the Business Manager’s Secretary who posts the information from the worksheets into a monthly summary of cafeteria deposits. She gives a copy of the monthly summary to the Business Manager who prepares multiple graphs and spreadsheets analyzing the School District’s food service operations. Monthly, he presents the information to the Board. She also gives a copy of the monthly summary, the daily reports, and the yellow copies of the deposit slips to the Accounts Payable Clerk who reconciles the cafeteria bank account.

Neither the school building offices nor the cafeteria managers have written procedures in place for the collection of monies.

The Treasurer runs the REVLED (all receipts for the month) report every month. The report is kept for the auditors and to help her with the monthly bank reconciliations.

The Superintendent, Board President, and Treasurer are each bonded for \$20,000. No other employees handling cash are bonded.

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Auditor of State Comments

1. Each building should have detailed written procedures for the collection of monies.
2. Since the School District posts the expenditures on the County Auditor settlements as reductions of receipts, all tax settlements are posted net and no County Auditor charges are recorded. The County Auditor settlements should be posted gross so all expenditures will be correctly accounted for.
3. All School District employees handling cash or in a position of fiscal authority should be bonded to prevent the School District from sustaining losses.

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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 an authorization of need and selection of the vendor with the best price as well as authorization by an appropriate individual. In addition, authorization must include the treasurer's certification of the availability of funds and that the amount has been appropriated and is free from previously encumbered obligations. All purchase orders 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.

Authority to Contract - School district contracts are made by the board of education and executed in the name of the school district by the superintendent and treasurer, except as otherwise specified by statute.

Major Contracts - Substitute House Bill 412 provides guidelines for estimating revenues when completing the certificates under Section 5705.412, Revised Code. This section requires the treasurer, superintendent and president of the board of education to certify that adequate revenues will be available to maintain all personnel, programs and services essential to the provision of an adequate educational program for a specified number of days. The certification of adequate revenues must be attached to all negotiated agreements, contracts for benefits, increased salary or wage schedules and construction contracts. In general, the certificate covers the remainder of the current fiscal year and two succeeding fiscal years or the term of the contract, whichever is longer. Obligations that do not have a certificate of adequate revenues as required are considered void and no payments may be made on void obligations.

Bidding - All school district contracts calling for expenditures in excess of \$25,000, must be in writing and made to the lowest responsible bidder. The board of education must authorize and direct all such expenditures. Exceptions to the bidding requirements include contracts for:

1. Acquisition of educational materials used for teaching;
2. Any item which the board, by a two-thirds vote, determines is available and can be obtained only through a single source;
3. Energy conservation projects may be excluded upon declaration of the board by a two-thirds vote; and
4. Acquisition of computer software or hardware for instructional purposes pursuant to Section 3313.37 (B)(5), Revised Code.

Routine Purchasing - Section 5705.41 (D), Revised Code and other State laws govern the purchasing process. The requirements are as follows:

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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 school district 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 obligation 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 a proper fund, properly appropriated and free from any previous encumbrance.

The treasurer may prepare blanket purchase orders for authorizing obligations for a particular purpose over a three month period, not extending beyond the end of the fiscal year. A general certification of up to \$5,000 may be established for any specific appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring type items or for unanticipated emergencies. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

“Super” Blanket Certification of the Availability of Funds - The super blanket certification permits the fiscal officer to certify amounts greater than \$5,000. 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, roadway materials and utilities; and any purchase exempt from competitive bidding under Ohio Revised Code Section 125.04 and any other specific expenditure that is a recurring and reasonably predictable operating expense.

Then and Now Certificate - The treasurer’s certification is required to be secured at the time a purchase order is issued or a contract is executed. If prior 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 the process of collection to the credit of an appropriate fund free from any previous encumbrances. The board has thirty days from the receipt of such certificate to approve payment by resolution. If approval is not made within thirty days, there is no legal liability on the part of the school district.

Amounts of less than \$1,000 may be paid by the treasurer without such affirmation of the board of education upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the board.

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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:

Continuing Contracts to be Performed in Whole or in Part in an Ensuing Fiscal Year - Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need to be certified (1987 Op. Atty. Gen. 87-069).

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.

The administrative rules adopted under Chapter 117, Revised Code, require the use of purchase orders and the following:

- a. All purchase orders shall be numbered consecutively.
- b. The purchase order shall be prepared by the purchasing authority. Two copies shall be forwarded to the treasurer who shall complete and sign the certificate and forward one copy to the vendor. The treasurer's copy shall be used for posting in the appropriation and authorization ledger as provided in rule 117-2-13 of the Administrative Code. The third copy remains with the purchasing agent. This third copy serves as a receiving report and is returned to the treasurer once the item(s) are received and verified. The third copy of the purchase order is also attached to the voucher along with the invoice.
- c. Each executed purchase order/requisition must contain the date, appropriation fund code classification, executed treasurer's certificate, quantity and description of goods or services. When a blanket certification has been authorized, the purchase order indicates the blanket certification, the effective date of the certification, and the amount.

School District's Purchasing Process

If employees or teachers need to purchase supplies, they obtain a requisition from their building secretary or supervisor. They are supposed to enter the vendor name and address, quantity, description, price, and account codes; however, the building secretaries or supervisors usually enter the account codes. No more than five line items are to be entered on a requisition. If more than five line items are ordered, one line item will be entered on the requisition with a general description such as "supplies". Employees or teachers are also required to add ten percent for shipping and handling even if they are told the shipping is free. Telephone orders must go through the Business Manager.

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There are three parts to the requisition form. The white original and the yellow copy are given to the Accounts Payable Clerk in the Treasurer's office. In some buildings, the building secretaries file the pink copy by vendor and give a photocopy to the originator of the requisition. In other buildings, the building secretaries give the pink copy to the originator of the requisition. The requisitions for items to be purchased from the student activities fund use a single part pink form. If the purchase will be posted from a student activity special cost center, it must be reviewed and signed by the student advisor and the building principal. All other requisitions are reviewed and signed by the building principal or department supervisor. The building secretaries enter the requisitions into the computer. The Accounts Clerk enters the student activities requisitions and prints the purchase orders. After the requisitions are signed, the building principals deliver them to the Accounts Payable Clerk in the administration building. The Accounts Payable Clerk gives the requisitions from maintenance or cafeteria employees to the Business Manager's Secretary. The Accounts Clerk retains the student activity requisitions. The Accounts Payable Clerk prepares a daily requisition list of all requisitions entered into the computer that day.

The Accounts Payable Clerk prepares the purchase orders from the daily requisition list and then prints them. Purchase orders are prepared daily. They must be signed by the Superintendent and the Treasurer. The School District uses a four part purchase order. The white original is mailed to the vendor (when necessary). The yellow copy, along with the white and yellow copies of the requisitions, are filed alphabetically by vendor. The vendor files are kept in the Accounts Payable Clerk's area. The blue copy is sent to the originator through the interoffice mail. The green copy is filed in a numeric file. The numerically filed purchase orders are kept in a box in the Accounts Payable Clerk's area. For purchases of items that are used by the whole School District or for utility bills, the Accounts Payable Clerk enters the total amount of the bill into a spreadsheet for that vendor and the distribution is calculated by building or department and account. Monthly, the Business Manager's Secretary prepares blanket certificates for the maintenance and cafeteria employees. The purchase order form is also used for blanket certificates and then-and-now certificates. The person entering the information into the computer chooses the type from a menu and it is printed on the face of the document. The School District does not use super blanket purchase orders.

The Accounts Payable Clerk is allowed to adjust the purchase order amount if it is less than ten percent of the total purchase order. They usually are off by shipping or freight charges. The computer system allows purchase orders to be posted against accounts that do not have sufficient appropriations to cover the amount of the purchase order.

When the invoice is received, the Accounts Payable Clerk stamps the original invoice, writes the name of the originator on the face of the invoice, and sends it through the interoffice mail to the originator to complete. The originator determines if the goods have been received, the condition of the goods, and if the shipment is complete. The Accounts Payable Clerk retains the remittance copy of the invoice or makes a photocopy of the original and files it with the purchase order in the alphabetical by vendor open purchase order file. The stamp provides three lines for the originator to enter the following information:

1. Have the items been received and, if "yes", is it OK to pay the invoice?
2. Is the order considered complete or partially complete?
3. The signature of the originator and the date.

The originator returns the invoice to the Accounts Payable Clerk through the interoffice mail. The Accounts Payable Clerk removes the yellow copy of the purchase order, the requisitions, and the remittance copy of

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the invoice from the alphabetical file and enters the information into the computer. Although the bills are paid once a week, the invoices are entered into the computer daily. The invoice, purchase order, requisitions, and remittance copy are returned to the alphabetical file. At the end of the week, the Accounts Payable Clerk runs the invoice list which includes all invoices entered into the computer and calculates the total. She shows the invoice list to the Treasurer so that the Treasurer knows the total amount that will be paid that week.

After the student activities purchase orders are printed by the Accounts Clerk, they are filed, along with the requisition, by vendor in an alphabetical file. Invoices for items purchased from student activities accounts are mailed directly to the Accounts Clerk's office in the high school. She sends a copy of the invoice to the originator. The originator reviews the invoice, signs it, and leaves it in the Accounts Clerk's mailbox or delivers it to her.

The School District uses State software.

Bids

Contracts to build, repair, enlarge, improve, or demolish a school building along with contracts for food, windows, and bleachers for more than \$25,000 are bid. Bus specifications are set by law so the District adjusts for their particular needs. Bids for major building projects are initiated with the architect. The Business Manager reviews the architect's specifications and gives them to his secretary to type. The Business Manager prepares the bid notices and runs them in the local newspaper for four weeks. The Business Manager collects the bids as they come in. The Business Manager and the Treasurer open all bids. The Business Manager reviews the bids and makes a recommendation to the Superintendent. The Superintendent makes the proposal to the Board. After the Board awards the Bid, the Business Manager instructs his secretary to type the letters to the contractors. The Business Manager's Secretary prepares the requisitions after the contractors have been notified. These requisitions are included on the daily requisition list printed by the Accounts Payable Clerk. She prepares purchase orders for them along with the other requisitions on the list.

Quotes are obtained for most items purchased by the School District. The School District will purchase a particular item from several vendors during the fiscal year. The Business Manager obtains quotes from these vendors so that the School District can purchase the item at the lowest price or take advantage of discounts or sales.

Auditor of State Comments

The computer system should not allow purchase orders to be posted against accounts that do not have sufficient appropriations to cover the amount of the purchase order. The appropriations should be amended or adjusted and then the purchase order should be posted against the accounts.

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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 or receiving copy of the purchase order, 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 account 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 that there are adequate appropriations to pay the obligation. All checks should be signed by the treasurer and posted in the appropriate accounting records. Vouchers should be filed numerically or by vendor.

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 Certification - If no certificate is furnished as required, upon receipt by the school district 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 school district may authorize the drawing of a warrant in payment of amounts due upon such contract, but such ordinance shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than one thousand dollars, the fiscal officer may authorize it to be paid without such affirmation of the board if such expenditure is otherwise valid.

The administrative rules adopted under Chapter 117, Revised Code, define a voucher and the information to be disclosed thereon as follows:

- a. A “voucher” is a written order authorizing the drawing of a check in payment of a lawful obligation of the school district.
- b. The date, purchase order number, account code, amount, and other required information must be entered in the appropriate space or column provided on the form.
- c. Vouchers are required to be in the prescribed form, but may vary from this standard form to meet the individual requirements of the district.

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School District's Cash Disbursement Process

The Accounts Payable Clerk removes the invoices and supporting documentation from the alphabetical file and compares them to the invoice list to verify that she has all of the invoices and then prints the checks. The current box of checks is kept on the floor near the printer. The room containing the printer and checks is locked at night. Additional boxes of checks are kept on a shelf in the Treasurer's office. The Treasurer's door is also locked at night.

After the checks are printed, they are run through the check signor. A key is needed to turn the check signor on or to remove the signature plate. The key is kept in the safe when the check signor is not being used. The check signor has a continuous counter which counts the number of checks being signed at that time. The continuous counter is reset every time a group of checks is processed. The check signor also has an audit counter which keeps a continuous count of the number of checks being signed and it does not reset. The School District maintains a log for the check signor. When the Payroll Clerk, Accounts Payable Clerk, or Accounts Clerk uses the check signor they must enter the date, beginning check number, ending check number, voided check numbers, number of net checks issued, machine beginning number, machine ending number, total checks disbursed, and their initials.

The School District uses a three part check. The original is mailed to the vendor. The white copy along with the supporting documentation is filed in the file cabinets by check number. The yellow copy is filed by vendor and placed in a box that is kept in the Accounts Payable Clerk's cupboard. Normally, the Accounts Payable Clerk locates the documentation for a specific check number and a particular vendor by looking at the checks listed under that vendor on the computer. After obtaining the check number from the computer, she locates the check in the file cabinet in the appropriate vendor file by check number. When the computer is not working, she uses the yellow copy to locate the check number. The yellow copies are filed numerically.

The only manual checks the School District writes are for the bank account transfers from the general account to the payroll account.

After the month is closed, the Accounts Payable Clerk prints the monthly reports. The month-to-date and year-to-date expenditure reports, as well as a purchase order status report and check register, are printed monthly. Purchase orders and checks can be queried by purchase order or check number, vendor, fund, or account. At the end of the fiscal year, the Accounts Payable Clerk prints the annual reports.

If a new vendor must be added to the vendor list, the Accounts Payable Clerk enters the information in the computer and flags the vendor's 1099 status. At the end of the year, a 1099 status report is printed. The Accounts Payable Clerk verifies that the report is correct and the 1099's are printed.

Checks for purchases from student activity accounts are printed by the Accounts Clerk. After she receives the originator's copy of the invoice that is signed authorizing payment, she removes the original invoice and supporting documentation from the alphabetical file and goes to the administration building to print the checks. After the checks are printed, she places them in envelopes and mails them to the vendors. The white and yellow copies of the student activities checks are filed with the copies of the regular checks in the Accounts Payable Clerk's area.

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Auditor of State Comments

1. The open boxes of checks are kept near the printer and the unopened boxes of checks are kept above the safe on a shelf. For security purposes, all checks should be locked in the safe when not in use.

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Payroll Process

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, federal and state taxes, should be computed at the applicable rates established by the regulatory agencies. Other deductions permitted by the school district 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. Payment of deductions and the related employer obligations should be within the time established and reported in the format prescribed by the regulatory agency. Personnel files should contain relevant employee information and any other information required by federal and/or state laws.

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 System (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 system the amounts withheld, matched with an appropriate percentage of employer matching 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 (the school districts generally may provide more than the minimum), and indicate 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 compensation and mileage; Section 3313.24, Revised Code, for compensation of school treasurers; Section 3319.01, Revised Code, for appointment and duties of 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/or compensation of officials and employees of a school district.

School District's Payroll Processing Procedures

The School District processes payroll for approximately 356 employees, not including substitutes, on a biweekly basis. Only the Payroll/Insurance Clerk and the Payroll Clerk have access to the payroll system through computer access codes. Employee personnel files are maintained for each employee. The District has written payroll policies and procedures.

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The Superintendent's and Treasurer's contracts begin January 1. The Business Manager's contract begins July 1. Certified teachers contracts begin September 1. The Payroll/Insurance Clerk prepares the contracts and tracks the step and education increases for classified staff.

Certified teachers and classified staff contracts are mailed by April 1 and are required to be returned to the Payroll/Insurance Clerk before the end of the school year. If certified teacher contracts are not returned before the end of the school year, the Payroll/Insurance Clerk sends a letter to the building principal or holds the last pay check in the administration building. The Payroll/Insurance Clerk determines the school payroll calendar and enters the new contracts into the system. Contracts are entered into the computer using the NEWCONTRACT software. The software calculates the amount per pay when she enters the contract amount. The information is imported into the job screen which calculates the pay for a particular pay period. New employees are given withholding and deduction forms to complete. The forms are returned to the Payroll/Insurance Clerk who then enters the information into the computer and activates the employees file.

Classified contract employees include the following groups:

1. 222-day classified contract employees include data processing employees and middle and high school secretaries.
2. 210-day classified contract employees include secretaries.
3. 208-day classified contract employee is for the Accounts Clerk position.
4. 190-day classified contract employees include one custodian and all librarians.
5. 188-day classified contract employees include cafeteria managers and cooks.
6. 185-day classified contract employees include regular cafeteria workers, teaching assistants, and education assistants (monitors).

Classified contracts for 260-day employees begin July 1 and end June 30. These contracts are issued to finance and administration employees who are not included in any of the other classified contract groups.

Since the contracts are divided by the number of pays in the fiscal year, contract employees will receive the same amount for each pay unless their contracts or deductions are adjusted. Deductions may be changed by submitting a new W-4 form, a court ordered wage garnishment, or a Salary Reduction Agreement form. For the Salary Reduction Agreement form, the employee obtains the form from the annuity company through their agent and mails it to the Treasurer's office. The form authorizes the Payroll/Insurance Clerk to withhold an amount from the employees pay check and deposit it into the annuity company's account. The Treasurer reviews the form, signs it, and gives it to the Payroll/Insurance Clerk. The Payroll/Insurance Clerk enters the deduction into the computer and gives the form to the Payroll Clerk along with any other employee contract changes. Next, the Payroll/Insurance Clerk adds the contract changes to the Contract Report total that was printed after the last payroll to obtain the calculated total contracts. She prints the Contract Report and compares the total to the calculated total contracts. If the totals are different, the Payroll Clerk knows that changes have been made to the contracts for which she has not received documentation. The Payroll/Insurance Clerk then reviews the changes with the Payroll/Insurance Clerk to determine which forms are missing. When the calculated total contracts equals the Contract Report total, she enters the certified and classified salary amounts on the Payroll Summary Report. The Payroll Clerk starts a folder for the next payroll and places the contract changes in the folder.

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The hourly employees include the custodians, library workers, cafeteria workers, monitors, tutors, student workers, telephone operators, and “public employees”. “Public employees” are employees who worked for the bus garage when it belonged to the School District and came to work for the School District when the bus garage was sold. They are treated separately from the other employees because they are on a different pay scale (one is a cafeteria worker and two are monitors).

All hourly employees, except tutors, must clock in and out and complete a timecard for the pay period. The School District employs tutors for the learning disabled, for home instruction, and for the Edwin Shaw Chemical Rehabilitation Home Program. The tutors log the time they work on one of the tutoring forms. The Learning Disabled Tutoring form must be signed by the tutor, building principal, and Special Services Coordinator. The Home Instruction Report must be signed by the tutor, parent, and Special Services Coordinator. The Edwin Shaw/Chemical Program Home Instruction Report must be signed by the tutor and the Special Services Coordinator. The forms are either mailed through the regular mail or the interoffice mail or hand delivered to the Special Services Coordinator in the administration building. The Special Services Coordinator reviews the forms, signs them, and gives them to the Payroll Clerk.

All of the School District buildings have time clocks. After the supervisors or building principals review the timecards at the end of the pay period, they are sent through the interoffice mail to the Business Manager. The Business Manager totals the hours worked for the pay period on the timecard and compares the custodians overtime against the Marantha Bible Church monthly summary or outstanding Application for Use of School Facilities forms. Only custodians and telephone operators can earn overtime. Overtime consists of any hours worked during the week in addition to the regular forty hour work week. The Business Manager copies the information from the timecards onto the summary and gives the timecards to his secretary. The Business Manager’s Secretary sorts the timecards and checks them against a list of hourly employees to verify that she has a timecard for each hourly employee. The regular full-time hourly employees use white timecards, the substitute monitors use pink, the substitute cafeteria workers use blue, and the substitute custodians use yellow. The Business Manager’s Secretary gives the timecards to the Payroll Clerk.

The Payroll Clerk totals the hours on the timecards and tutoring forms, enters the information into the computer, and enters the total gross pay for hourly employees and tutors on the Payroll Summary Report. The timecards and tutoring forms are placed in the payroll folder.

All employees, except substitutes, must complete a yellow Absence Report if they miss work for any reason. The Absence Report must be signed by the building principal or department supervisor. The Payroll Clerk keeps a list of employees who owe her an Absence Report. In order to have an Absence Report for every absence, the Payroll Clerk will call the employee, leave a message in the employee’s mailbox, or hold the employee’s check until she gets an Absence Report.

If employees use personal days, they must submit an Employees Emergency Personal Leave Form along with the yellow Absence Report. The Employees Emergency Personal Leave Form must be submitted two days prior to the requested personal day and it must be signed by the building principal and the Superintendent. The form has three parts. The white original is sent through the interoffice mail to the Treasurer’s office. The yellow copy is retained by the employee and the pink copy is retained by the Superintendent.

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If employees wish to attend professional meetings on a school day, they must submit a Professional Meeting Request form along with the yellow Absence Report. The form has three parts. The white original is sent through the interoffice mail to the Treasurer's office. The pink copy is retained by the employee and the yellow copy is retained by the Superintendent.

If employees are going to be absent and their job requires a substitute, they must call one of two phone operators and tell them they will be absent. Regular substitute teachers are paid \$65 per day, but the School District employs four substitutes who have contracted to work 120 days in the school year and they are paid \$70 per day. The Payroll Clerk keeps a log on each substitute with the total days that they worked for the School District. At the end of a pay period, each school building sends the Payroll Clerk a pink Payroll Report. The top half of the Payroll Report lists the names of employees who work in the building, number of days they were absent during the pay period, dates they were absent, and the reason for the absence. The bottom half of the Payroll Report lists the names of the substitutes who worked in the building during the pay period, their Social Security numbers, number of days worked, dates worked, and the names of the teachers they substituted for. She makes sure she has a yellow Absence Report for each teacher listed in the "Teacher Subbed For" column. If she has a yellow Absence Report but the teacher's name is not listed on the Payroll Report, she calls the school building to verify which form is correct. She totals the number of days worked at the bottom of each pink Payroll Report and then adds all of the page totals for the total number of days the substitutes worked that pay period. She transfers the information from the pink Payroll Reports to the individual substitute teacher logs. She also transfers the information from the pink Payroll Reports to the Sub. Teacher Timesheets. A Sub. Teacher Timesheet is prepared for each substitute that worked during the pay period. The Sub. Teacher Timesheet lists the name of the substitute teacher, Social Security number, date subbed, person subbed for, school, number of days worked at each school, pay per day, total days worked for the pay period, and total gross pay for the pay period. The Payroll Clerk totals the Sub. Teacher Timesheets and verifies the total with the total from the pink Payroll Reports. If the totals are the same, the gross pay for substitutes is transferred to the Payroll Summary Report. If a substitute teacher substitutes for the same teacher for ten consecutive work days, the substitute teacher is paid an additional \$5.00 per day for the eleventh day and any subsequent consecutive days.

Supplemental contract employees are paid according to the School District calendar which was prepared by the Payroll/Insurance Clerk. The Payroll/Insurance Clerk completes the Supplementals Report based on the payroll calendar and enters the information into the computer. The Payroll/Insurance Clerk gives the Supplementals Report to the Payroll Clerk who adds the information to the Payroll Summary Report.

After finishing the Payroll Summary Report, the Payroll Clerk enters the contract changes, substitute gross pays, various types of leave, and timecard information, and performs the steps listed on the Payroll Program Run Sequence Checklist. After running the INICAL report, she compares it to the Payroll Summary Report. If the balances do not reconcile, she performs the steps on the list again. If the balances reconcile, she proceeds down the list.

If employees wish to have their pay checks deposited directly into their checking accounts, they must complete an Employee Direct Deposit form. The School District requires that employees have a 100 percent direct deposit. They cannot receive a check and partial direct deposit of their pay. The Payroll Clerk enters the information into the computer and faxes the form to the bank.

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The PAYDIR report lists the names of employees who have their pay direct deposited along with their account numbers, banks, and pay amounts. The Payroll Clerk completes the ACH Transmission FAX Sheet using the PAYDIR report. She transfers the information for the direct deposit from the School District's computer to the bank's computer and then faxes the ACH Transmission FAX Sheet. The bank faxes a confirmation back to the School District that the direct deposits were received.

The Payroll Clerk prints the payroll checks on the printer by building and pay group and then runs them through the check signor. The payroll checks are a two part check. The original is given to the employee and the copy is retained in the pay period folder. Next, the direct deposit verifications are printed. The direct deposit verifications are given to the employees who have their pay deposited directly into their accounts. The checks and direct deposit verifications are sorted first by building and then alphabetically so they can be put in the employee mailboxes. The checks, direct deposit verifications, and a set of blank timecards for the next pay period are put in an envelope for each building. The cafeteria employee checks are not sorted alphabetically. They are kept separate from the other checks and deposits. A rubber band is placed around the cafeteria employee checks and they are placed in the building envelopes. The envelopes are placed in the interoffice mail for the building principals to deliver to their building. The building secretaries put the checks, direct deposit verifications, and time cards in the employee mailboxes. The building secretaries deliver the cafeteria employee checks to the cafeteria managers.

All pay checks are mailed during the summer months except the custodians pay checks. The Head Custodian delivers the custodians checks during the summer.

The Payroll Clerk prints two copies of the Deduction Report. The Deduction Report prints one page for each deduction and lists the names of the employees and the amount deducted from their checks. One copy of the report is mailed with the check. The other copy of the report is placed in the pay period folder along with the stub portion of the check. The Payroll Clerk prints the deduction checks.

After the Deduction Report is run, it is signed by the Superintendent and Treasurer. Since the School District uses a payroll clearing account, the Payroll Clerk types a manual check for the bank account transfer and then enters the payroll distribution into the computer. She prepares the deposit slip and takes the check to the bank. The only manual checks the School District prepares are for the bank account transfers. The distribution for these transfers is entered into the computer.

The Payroll Clerk then runs the pay period monthly, quarterly, and/or annual reports as appropriate.

Auditor of State Comments

1. The payroll checks are kept in an open box behind the printer. These should be locked in the safe when not being used.

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Debt Activity

The issuance of debt is strictly controlled by State statute. A resolution authorizing the issuance of debt must be approved by the Board of Education. The Statute authorizing the debt issuance should be identified in the resolution as well as the purpose of the debt, maturity date, lender, interest rate, and 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 into a separate fund created specifically for debt retirement. Care should be taken to insure the timely payment of both principal and interest.

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code.

School District's Debt

The School District's outstanding debt at the close of fiscal year 1999 was \$1,552,445. This balance consists of \$346,800 in energy conservation bonds and \$1,205,645 in spending reserve borrowing. During fiscal year 2000, the School District retired \$1,205,645 in spending reserve borrowing. In addition, the School District issued a \$955,578 energy conservation improvement note during fiscal year 2000.

The funds necessary for payment of the principal and interest are provided by general fund transfers and property tax revenues.

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Fixed Assets and Supplies Inventories

Fixed assets of the school district should be adequately safeguarded against loss or theft. An inventory describing each item, cost, serial and/or model numbers, location, and date of purchase should be maintained by the school district. The inventory should be updated periodically for purchases and disposals. Verification of the listed assets should be performed at least annually. The disposal of any asset should be properly authorized and reported to the treasurer.

School District's Methods of Accounting for Fixed Assets

Since the Accounts Payable Clerk prepares the purchase orders and pays the invoices, she knows when new items have been purchased. After the item has been purchased, she sends a tag to the employee responsible for that item. The employee then affixes the tag to the item. She records the employee's name, description of the equipment, number that has been assigned, location, vendor and manufacturer names, date received, model and serial numbers, and unit cost in the computer system. Currently, the District does not use acquisition, disposal, or transfer forms. The District capitalizes assets costing \$500 or more. The last physical fixed asset inventory was completed for 1995.

At the end of the fiscal year, each teacher prepares an inventory of their classroom and gives the finished inventory to the building principal; however, the Accounts Payable Clerk does not receive a copy of this inventory. The School District used the State software fixed assets program for the first time for fiscal year 1999. At that time, the Accounts Payable Clerk entered all of the fixed assets for the School District into the computer. In the future, the School District plans to have all the assets sorted by building and room. Inquiries about fixed assets are given to the Accounts Payable Clerk and that is how she usually finds out about disposals or sales.

The department supervisors and building principals are responsible for tracking all other assets. Inventory lists and fixed asset additions and deletions are sent to the Treasurer after the end of the fiscal year.

Board approval is necessary for the acceptance of donated items and the sale or disposal of items. Transfers do not require Board approval. The Treasurer takes a list of donations and/or deletions to Board meetings for approval. The date of the Board approval is recorded in the minutes. After the Board has approved the disposal, the item is disposed of or set aside for sale and the tag is removed from the item and sent through the interoffice mail to the Accounts Payable Clerk. The Accounts Payable Clerk keeps the tag and notes the date of disposal.

Since the District is on State software and uses that fixed asset program, depreciation is calculated by the program.

School District's Methods of Accounting for Supplies

The School District maintains a warehouse from which supplies are issued to all of the School District's eight buildings. The Maintenance Supervisor inventories the supplies in the warehouse at fiscal year end. The Maintenance Supervisor does not use a standard form for this inventory; however, he records a description, the quantity, location, and cost of the item on a piece of paper. The Maintenance Supervisor gives the inventory to the Business Manager who reviews it and checks the extensions. The Business Manager gives the corrected supplies inventory to his secretary who types the information into a standard format and returns

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it to him. Then the Business Manager gives the inventory to the Treasurer who places it in a folder for use in preparing the financial statements.

Auditor of State Comments

1. The School District should have a more recent physical inventory of fixed assets.
2. The School District should use acquisition, disposal, and transfer forms.
3. The building principals should send a copy of their building's physical inventory to the Accounts Payable Clerk. In the future, after the Accounts Payable Clerk has all of the assets entered into the computer by building and room, she should send a copy of her inventory to each building principal so that he can verify his inventory against the Accounts Payable Clerk's inventory and notify her of any differences.
4. The School District has broad fixed asset and inventory policies which do not include specific procedures. The School District should have specific fixed asset and inventory policies and procedures and those procedures should be in writing.
5. The fixed assets policies should be expanded to address valuing donated assets, assigning salvage values, and defining private property (items belonging to staff and students).

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Cash Management and Investing

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. Inactive cash should be invested according to Sections 135.14 and 135.35 of the Revised Code. The deposits of public money should be insured and/or collateralized to insure repayment of public monies deposited with a financial institution. Interest allocation should be in accordance with the Ohio Constitution and State statutes.

Reconciliations should be completed for all accounts on a monthly basis. The reconciliations should be completed immediately after the books are closed for the month and upon receipt of the bank statement. Reconciling items should be specifically identified and listed.

School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. These activities include the acquisition and sale of investments and the transfer of cash assets among the various bank accounts. The School District maintains two checking accounts to segregate and control the cash flow and two accounts for investment purposes. The School District also maintains one payroll clearing account and one sweep account. These accounts are as follows:

First Merit:

General Account	This checking account is used for the general operation of the District.
Sweep Account	Excess amounts are swept out of the general account into this interest bearing account overnight. Overnight repurchase agreements are purchased.
Cafeteria Account	This interest bearing checking account is used for payments to contractors, consultants, and architects for the new middle school project.
Payroll Account	This checking account is used for the biweekly payroll distribution.
First Merit Securities	This account is used to invest in United States Treasury notes.
<i>StarOhio</i>	
General Account	This account is used to invest excess money from the general checking account.

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The Treasurer deposits receipts into a checking account which automatically sweeps the majority of the account balance into overnight repurchase agreements. The Accounts Payable Clerk prepares the outstanding check list and reconciles all accounts at the close of the month. The deposits identified on the bank statement are compared to the receipts posted in the Financial Report by Fund to determine the deposits in transit. Both outstanding check lists are generated from a computer report. The monthly reconciliation report is prepared and the adjusted/reconciled bank balance is then compared to total fund balances.

The School District has adopted investment and petty cash fund policies. The investment policy addresses authorized investments and liquidity. Currently, the School District invests in STAROhio (the State Treasurer's Investment Pool), United States Treasury Notes, and repurchase agreements.

Auditor of State Comments

1. The Board of Education's approved petty cash policy is generic. It does not include specific amounts, what department or building holds the money, or specific uses for the money. It should list the total petty cash the School District uses during the school year and the distribution by department.
2. The total investments that are listed on the Department of Education annual financial report do not agree with the investments listed on the June 30, 1999 bank reconciliation.

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Financial Reporting

The treasurer should provide the board of education with financial information including the year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the school district. In addition, information concerning the estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the board's review. By July 31 of every year, the Treasurer should complete a Form 4502, Annual Financial Report, for the Ohio Department of Education. Depending on the district's computer system, the report is either generated by the system or completed manually on the prescribed form. If the district prepares the 4502 using State software, the report is transmitted via modem to the Department of Education. If the district completes the 4502 manually, a hard copy is mailed to the Department of Education.

School districts are required by Chapter 117, Revised Code to prepare and publish an annual financial report. The report must be certified by the treasurer or board and filed with the Auditor of State within one hundred and fifty days after the close of the fiscal year if reporting on a generally accepted accounting principles basis (GAAP). At the time the report is filed with the Auditor of State, the fiscal officer must publish in the newspaper notice of the completion of the report and the fact that the report is available at the office of the fiscal officer. All school district's were required to report on a GAAP basis for all fiscal years ended June 30, 1996 and thereafter.

School District's Financial Reporting

The District uses State software and therefore has the ability to print multiple standard and customized month-to-date and year-to-date reports. The School District prepares month-to-date and year-to-date reports, places them in binders and stores them in the finance department area. Payroll, month-to-date, year-to-date, quarterly, and annual payroll reports are kept in the Payroll Clerks's files.

At the Board meetings, the Treasurer supplies the Board with an investment report, cash-by-fund report, and SM-2 report. The SM-2 report details the month-to-date estimates, actual, and difference for all revenues and expenditures as well as fiscal year-to-date estimates, actual, and difference for revenues and expenditures. Following the release of the School District's annual audit report, the Treasurer supplies the Board members with copies.

The School District accounts for its daily operations on a cash basis of accounting. The other sections of this report address the primary processes utilized by the School District to record its cash basis activity. The School District has a sophisticated computer system which generates daily reports with information pertaining to cash activity, receipts, expenditures and encumbrances. If these reports do not contain the desired information, reports can be generated in any format needed.

The School District prepared the 4502 for fiscal year 1999 by July 31, 1999. The School District prepared an annual financial report in accordance with Generally Accepted Accounting Principles (GAAP) and met the filing requirement without extension for fiscal year 1999.

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Auditor of State Comments

The Treasurer should provide the Board with a bank reconciliation which reconciles to the fund balances on a monthly basis.

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Conclusion

The methods described and included in this report are based on our inquiries and discussions with School District personnel and the related procedures documented from the School District's Policy 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.

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