



Dave Yost • Auditor of State

**Bellaire Local School District
Belmont County, Ohio**

Financial Accounting Report

Local Government Services Section

**Bellaire Local School District
Belmont County
Report on Accounting Methods**

Table of Contents

Certification 2

Purpose 3

Governance Overview 4

Analysis of School District’s Methods:

 Budgetary Process..... 6

 Revenue Activity 11

 Purchasing Process..... 16

 Cash Disbursements..... 22

 Payroll Processing..... 26

 Debt Administration..... 33

 Capital Assets and Supplies Inventory 35

 Cash Management and Investing 38

 Financial Reporting..... 42

 Recording Official Proceedings 44

Conclusion 45

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CERTIFICATION

On December 31, 2009, the Bellaire Local School District was declared to be in fiscal emergency. Section 3316.10(A), Revised Code, requires that after the declaration of the existence of a fiscal emergency, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports. This report shall indicate whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

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

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

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

DAVE YOST
Auditor of State

Unice S. Smith
Chief of Local Government Services

February 21, 2011

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Bellaire Local School District – Belmont County

Financial Accounting Report

Purpose

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

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the Bellaire Local School District, and (2) whether the current accounting system is in compliance with Section 117.43 of the Revised Code and the requirements of the Auditor of State.

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Governance Overview

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

On December 31, 2009, the School District was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. Commission membership is as follows:

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Governance Overview

(continued)

The Commission has defined the level of fiscal management and control the Commission will exercise within the School District during the period of fiscal emergency as required under Section 3316.06(A)(2) of the Ohio Revised Code. The complete role of the Commission has been addressed in the financial planning and supervision meeting on January 13, 2010, and includes the power to approve contracts entered into by the Bellaire Local School District for personal services and employment contracts for all positions other than temporary positions and all purchases in excess of \$5,000.

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Budgetary Process

Description of an Effective Budgetary System

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

Statutory Requirements

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Budgetary Process

(Continued)

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

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

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Budgetary Process

(Continued)

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

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Budgetary Process

(Continued)

School District's Budgetary Process

The School District's formal policies regarding the budgetary process provide that annual appropriations shall be adopted and approved by the Board. The Board adopts as part of its annual appropriation measure a spending plan setting forth a five year projection of revenue and expenditures of the General Fund.

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. Once the budget is adopted, it is filed with the Belmont County Auditor no later than January 20. 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.

The Board accepts, by resolution, the tax rates as determined by the budget commission and receives the budget commission's certificate of estimated resources.

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

The Board of Education adopts a permanent appropriation measure, at the fund level for all funds, prior to the start of the new fiscal year. The Treasurer compares appropriations to estimated resources when preparing the permanent appropriations, and retains the related reports and spreadsheets in a binder with any applicable notes. The Treasurer reviews estimated revenues and appropriations monthly but does not prepare a report for the Board of Education unless amendments are necessary. When appropriations are amended, the Board adopts a supplemental appropriation measure after reviewing explanations for the amendments. The Treasurer submits all appropriation measures to the budget commission and at the same time submits a request for an amended certificate of estimated resources for any new or additional estimated revenue available for appropriation. Within one to two weeks, the Treasurer receives a certificate from the Budget Commission certifying that appropriations from each fund do not exceed the official certificate of estimated resources.

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

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 the President of the Board. If the School District is in a state of

Bellaire Local School District – Belmont County

Financial Accounting Report

Budgetary Process

(Continued)

fiscal emergency, the certificate shall be signed by a member of the School District's Financial Planning Supervision Commission who is designated by the Commission for this purpose. The certificate is to be attached to any qualifying contract.

Auditor of State Comments

1. The School District should update its' policy manual related to the budgetary process. The policy manual should require the Treasurer to report to the Board as part of the monthly report any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken and how further occurrences will be avoided.
2. The School District should establish procedures that will ensure compliance with established policies. Such procedures should include provisions for timely review and monitoring of budgetary and cash fund balance information.
3. The School District did not issue 412 certificates for qualifying contracts. As required by Section 5705.412, Revised Code, the School District should issue the certificate; the certificate is to be signed by the Treasurer, Superintendent, President of the Board, and a member of the School District's Financial Planning Supervision Commission who is designated by the Commission for this purpose. The certificate is to be attached to any qualifying contract.
4. The School District should establish an internal control procedure to ensure that all new funds be approved by the Board of Education, with such approval being documented in the official minute record, in accordance with Section 5705.09, Revised Code.

Bellaire Local School District – Belmont County

Financial Accounting Report

Revenue Activity

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Revenue Activity

(continued)

School District's Receipt Process

The School District's primary sources of revenues include property taxes collected and remitted by the county auditor and treasurer, State Foundation program revenues and Federal and State grants both which are remitted to the School District from the Ohio Department of Education. The School District also collects student fees, admissions for athletic events at the high school, fundraisers, and charges for school lunches served in their cafeterias. The Treasurer, Athletic Director, Assistant Athletic Director, Cafeteria Secretary, and lunchroom cashiers are individually bonded.

For receipts outside the Treasurer's office, except receipts coming from the cafeterias, the classroom teachers, advisors, or building secretaries prepare a three-part written building receipt for each individual receipt collected. The receipt slip includes the date, receipt number, dollar amount of receipt, and descriptions. The white copy of the written building receipt is given to the individual, the yellow copy is sent to the Treasurer's office and the pink copy is kept in the building's receipt book. The daily receipts are deposited each day or if necessary are secured in a locked filing cabinet at each school. The teacher, advisor or secretary prepares two bank deposit tickets and two cash proofs. The cash proof is a sheet prepared along with the deposit slip that lists the date, name of activity group, source of receipts, amount of receipts, type of receipts (cash, change, or check), advisor signature, and the tamper-proof bank bag number. One cash proof, deposit ticket, and money and/or checks is placed in a tamper-proof bank bag and taken to the bank. The second cash proof and deposit ticket are sent to the Fiscal Assistant or Treasurer. After the bank enters the deposit and initials the cash proof, the copies are given to the Treasurer's Office to be matched with the office copy. The Fiscal Assistant or Treasurer assigns the appropriate receipt code and then posts the information to the accounting system. The receipt slip, the yellow copies of handwritten receipts, and cash proofs are stapled together and filed numerically.

Receipt of State Foundation: State Foundation monies are wire-transferred bi-monthly to the School District's general account from the Ohio Department of Education. The foundation settlements include restricted and unrestricted receipts, tuition payments from other school districts, and various other State payments to the School District. The foundation settlement sheets are printed from the Ohio Department of Education's web page by the Treasurer. The Treasurer enters this data into an excel spreadsheet, on which account codes and funds are assigned, and posts the summary receipt information to the accounting system. The Ohio Department of Education also deducts from each settlement pension contributions and tuition payments due to other school districts and community schools. These deductions are posted from the spreadsheet summary directly to the system by the Fiscal Assistant as memo expenditures. Receipts are recorded in a manual receipt booklet, and signed by the Treasurer. The receipt slip includes the date, amount of receipt, and description. The foundation settlement sheets and the signed receipts are stapled together and filed in the Treasurer's office.

Receipt of Property Taxes: The Treasurer identifies the proper account codes for gross property tax receipts and deductions and prepares a sheet using information from the tax settlement sheet. The Treasurer verifies that the net property tax receipts on the tax settlement sheet match the amount wire transferred from the County. The Treasurer then posts the gross property tax receipts and deductions into the accounting system and receipts are written into a receipt booklet.

Bellaire Local School District – Belmont County

Financial Accounting Report

Revenue Activity

(continued)

Receipt of Grant Monies: The School District participates in various Federal and State grant programs through the Ohio Department of Education's (ODE) Comprehensive Continuous Improvement Planning (CCIP) System. The CCIP System is a unified grants application and verification system provided by the Ohio Department of Education. The Administrative Assistant fills out all grant applications and currently, the Board of Education does not review or approve any grants. The Board passes a yearly resolution for the School District to participate in all available state and federal programs. When a Project Cash Request is submitted, the Treasurer files a copy. The School District receives Federal and State grant monies by wire transfer from the Ohio Department of Education. Upon receipt of the activity, the Treasurer assigns codes to the revenue and posts to the budgetary system, and prepares hand-written receipts. When monies are received by check, the Treasurer prepares a deposit slip and assigns a revenue code to the receipt. The receipt is then posted to the system by the Treasurer and a printed receipt is signed and filed in the Treasurer's Office. The Board of Education approves total grant awards and fund numbers.

Athletic Event Receipts: In August, the Athletic Director is given \$400 to be used as a change fund. In June the change fund money is returned to the Treasurer's Office by the Athletic Director. At the High School, adult and student tickets are sold for athletic events using a ticket roll. The School District hires up to four individuals as ticket sellers who work all of the athletic events. At the end of each athletic event, the cash is counted and a report is filled out by the Assistant Athletic Director showing the starting and ending ticket numbers for student tickets and adult tickets, the total number of tickets sold, price per ticket and total amount sold. A Ticket Report form is signed by the ticket seller and the Assistant Athletic Director to indicate that the tickets sold and amounts collected have been reconciled. The Assistant Athletic Director locks the cash from ticket sales in the Athletic Director's office overnight. The Assistant Athletic Director fills out the deposit slip and deposits the cash the next day at the bank. The ticket report, cash proof, deposit ticket, and signed receipt are stapled together then forwarded to the Treasurer's Office.

Student Activity Receipts: Most student activities have one to two fundraisers each year. When a student activity would like to do a fundraiser, the student activity advisor must fill out a "Sales Project Potential Form" form and get Superintendent and building Principal approval. There is no policy in place specifying the information that is to be provided to the Superintendent. If the Superintendent approves, the "Sales Project Potential Form" is given to the Fiscal Assistant and she does a purchase order for the requested materials. The "Sales Project Potential Form" shows profit or loss of the fundraiser. At the conclusion of the fundraiser, the student activity advisor completes the bottom of the Sales Potential Form approved by the building Principal, Budgetary Assistant, and Treasurer. The student activity advisor takes the money received from the fundraiser to the Budgetary Assistant, and the Budgetary Assistant then records the receipt in the receipt booklet. A copy of the receipt is given to the activity advisor. The receipt is assigned an account code and is posted to the accounting system by the Budgetary Assistant, who then deposits the money in the bank. A copy of the receipt, along with a copy of the Sales Potential form is filed in the Treasurer's office.

Receipt of Cafeteria Monies: The School District utilizes a Point of Sale System (QSP). The system consists of a program with a touch screen sitting on top of a locked cash register drawer. The Point of Sale System is used to account for the breakfast and lunch sales at the middle school and the high school.

All students at the elementary building prepay for their meals weekly. The student cash or checks are given to the teacher who forwards these to the cafeteria cook. The student's account balance is then increased accordingly.

Bellaire Local School District – Belmont County

Financial Accounting Report

Revenue Activity

(continued)

In the middle school and high school buildings each student uses their PIN number to purchase breakfast and lunch on their account. The system will automatically increase the students account by the amount paid. The PIN identifies whether or not the student is to receive a free or reduced priced meal. The School District encourages each student to prepay their account to facilitate quicker process at the cash register. As each student reaches the end of the line, they enter their PIN into a key pad at the register. The cashier will compare the student's information and enter what the student has purchased. The total is deducted from the student's amount available according to the system. The cashier then informs the student of their decreasing balance. The computer system is capable of generating reports to provide to parents that reflects the student's lunch history. All students are allowed to charge up to five dollars at any given time, and on Friday of each week, the system generates a letter for the students who have overcharged their accounts to take home requesting payment.

At the high school, at the end of each day, each cashier prints a daily sales report off the register and counts the drawer to make sure the correct amount of money was collected. A report shows the number of students that ate lunch and the amount collected at each cash register. The Cafeteria Secretary obtains the cash and reconciles the cash collected to the daily sales report each day. The Cafeteria Secretary or cook prepares a deposit slip and puts the cash, the daily sales report, and the deposit slip in a tamper-proof bank bag until it is taken to the bank. The register also keeps a running sales report throughout the month.

At the middle school, the cashier runs the report and reconciles with the cash in the drawer. A deposit slip and daily cash form completed and are placed in a tamper-proof bank bag and taken to the bank by a cook.

At the elementary school, the cook collects the money, reconciles, the daily receipts, and prepares the deposit slips. The deposit ticket and daily report form are put in a tamper-proof bag and taken to the bank.

One deposit slip is written for each school for each day. The bank stamps the deposit slip and verifies the amount deposited, and the Cafeteria Secretary picks up the prior days stamped deposit slip from the bank each day when she drops off the next day's deposit.

At the end of each month, the Cafeteria Secretary takes the daily worksheet, the daily sales report, and the deposit tickets from the bank from all schools and reconciles to the receipts to the bank statement. The reconciled bank statements and deposit slips are taken to the Treasurer's office, and the Treasurer compares the deposit slips to the bank statement writes a check to clear the Cafeteria account and posts a receipt in the system. This process occurs one month in arrears.

During the 2010 school year, the School District adopted a new policy that addresses the process for dealing with delinquent accounts on student lunches for delinquent accounts. Once a student's account is \$5.00 overdrawn a letter is sent home that reflects the past due amount and requests payment. Once the account is \$10.00 overdrawn a second letter is sent home stating that the balance needs to be paid within a week. If the amount is not paid within one week after the second request, a phone call is placed to the parents advising that their child's account is past due, and that this is the third attempt. At this time the School District advises the parents that if the amount is not paid to date their child will only be served a cheese sandwich with milk for lunch each day until the account is current. If the student's account remains unpaid, the School District will hold the student's diploma until the outstanding accounts are paid in full. If a student, with an outstanding amount, goes through the line with cash, and their account is delinquent, any money left over will be credited to their account.

Bellaire Local School District – Belmont County

Financial Accounting Report

Revenue Activity

(continued)

Miscellaneous Receipts: As necessary, teachers remit a list of names, amounts owed, and description of activity (monies owed for fees, overdue book fines, or damaged equipment) to the appropriate building secretary if miscellaneous monies are owed from students. The building secretaries complete forms that detail the information provided by teachers. As fees are collected, the student is given a receipt; each building secretary counts the money, prepares a deposit slip, updates the form to credit the student for the payment, and deposits the money in the bank. Each deposit slip is sent to the Treasurer, and a receipt is made. At the end of the school year each building secretary fills out a report detailing the amounts still uncollected, and the action taken to collect the remaining fees. The uncollected amounts are then rolled to the student's next school year unless the student is a senior, in which case the diploma is held until payment is made.

Auditor of State Comments

1. The School District does not currently have written procedures for the receipt and recording of revenues. The School District should establish procedures for the receipt and recording of revenues to be utilized by all departments involved in the receipt and processing of revenues. These procedures should also ensure that pay-ins are marked with receipt numbers, that appropriate signatures are obtained on the food service receipts and reports. These procedures should be provided to staff charged with such duties, and be filed in the Treasurer's office and reviewed at least annually.
2. Timely and accurate financial information of the Food Service Fund is critical to the management of the food service program. The transfer of Food Service receipts from the outside account to the general account and the subsequent posting of the receipts to the Food Service Fund occur one month in arrears. Due to the lag in posting, as well as an additional lag in the financial data provided to the Board of Education, the food service information is reviewed two months in arrears. The School District should post these receipts in a timely manner to eliminate the monthly lag, in order to provide accurate and timely reporting and to provide the most accurate fund balance to the administrators and Board of Education.
3. The Board of Education should revise policies regarding fundraising activity for student activities to include the process for approval, forms to be filed, and how deposits are handled. In addition, written procedures should be developed and monitored by the Treasurer's office.

Bellaire Local School District – Belmont County

Financial Accounting Report

Purchasing Process

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

Statutory Requirements

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

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

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

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

Then and Now Certification: It is intended that the fiscal officer's certification be secured at the time a purchase order is issued or a contract is executed. If timely certification was not obtained, contracts or purchase orders may be certified at the time of payment but the certification must indicate that both at the time the order was placed (then) and at the current time (now) a sufficient sum was appropriated for the purpose of such a contract and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances. Payments greater than \$3,000 are to be approved by resolution of the board.

Bellaire Local School District – Belmont County

Financial Accounting Report

Purchasing Process

(continued)

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

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

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

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

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Purchasing Process

(continued)

Section 9.231(A)(1), Revised Code, provides that a governmental entity shall not disburse money totaling twenty-five thousand dollars or more to any person for the provision of services for the primary benefit of individuals or the public and not for the primary benefit of a governmental entity or the employees of a governmental entity, unless the contracting authority of the governmental entity first enters into a written contract with the person that is signed by the person or by an officer or agent of the person authorized to legally bind the person and that embodies all of the requirements and conditions set forth in Sections 9.23 to 9.236 of the Revised Code. If the disbursement of money occurs over the course of a governmental entity's fiscal year, rather than in a lump sum, the contracting authority of the governmental entity shall enter into the written contract with the person at the point during the governmental entity's fiscal year that at least \$75,000 has been disbursed by the governmental entity to the person. Thereafter, the contracting authority of the governmental entity shall enter into the written contract with the person at the beginning of the governmental entity's fiscal year, if, during the immediately preceding fiscal year, the governmental entity disbursed to that person an aggregate amount totaling at least seventy-five thousand dollars.

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

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

Delinquent Personal Property Taxes - Section 5719.042, Revised Code, provides that after the award by a taxing district of any contract let by competitive bid and prior to the time the contract is entered into, the person making a bid shall submit to the district's fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged at the time the bid was submitted with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the county treasurer within thirty days of the date it is submitted. A copy of the statement shall also be incorporated into the contract, and no payment shall be made with respect to any contract to which this section applies unless such statement has been so incorporated as a part thereof.

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Purchasing Process

(continued)

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

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

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

School District’s Purchasing Process

If the School District anticipates a purchase to exceed \$25,000, the Bellaire Board of Education policy states that the Superintendent shall make the necessary arrangements for competitive bids. The Board of Education policy states that competitive bids should be obtained for the contracts for construction or demolition of buildings or for any improvements of repairs which exceed \$25,000. Bids shall be sealed and are to be opened by the Treasurer in the presence of at least one witness. The Treasurer makes her recommendations to the Board. Upon approval by the Board, the Treasurer processes purchase orders to those bidders awarded contracts and notifies the other bidders of the results of the bidding. It is the Board’s policy to purchase locally, provided that the goods of equal quality, competitive prices and adequate service and delivery can be given by the local supplier. Board policy further states that the Superintendent should seek at least three price quotations on purchases of more than \$10,000 but under \$25,000, when feasible.

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Purchasing Process

(continued)

The accounting system will not allow the same purchase order number to be used more than once. If an employee accidentally enters a previously used purchase order number, the system will display an error message such as “purchase order already on file”. The posting of the purchase order automatically records an encumbrance in the system. The purchase order is printed, signed, and dated by the Treasurer only after manually checking the purchase order for accuracy. If the contract is over \$25,000, it must also be approved by the Board of Education through resolution. Purchase orders are used for all purchases and contracts of the School District.

New vendors are requested by School District employees when necessary. The Budgetary Assistant will send a W-9 form to the new vendor and verify when it is received. The W-9 form request a taxpayer identification number, address, phone number and fax number. The Budgetary Assistant assigns a vendor number and enters the new vendor’s information into the computer system. The School District does not perform a search of the Auditor of State’s website to verify that new vendors have no outstanding, unpaid findings for recovery.

The School District purchases goods and services with blanket purchase orders as needed. For the School District, blanket purchase orders are used for utilities, food service, custodial supplies, and transportation. The Treasurer issues blanket certificates under the old statutory restriction of 90 days or \$5,000. Expenditures made against blanket purchase orders are tracked by running a Transaction Ledger Report from the accounting system. The Transaction Ledger Report details the expenditures made against each purchase order and the amount remaining on the purchase order. After 90 days, the blanket purchase order expires and if necessary a new blanket purchase order is issued.

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Purchasing Process

(continued)

Auditor of State Comments

1. The School District does not perform a search of the Auditor of State’s Findings for Recovery website when entering into contracts. Section 9.24, Revised Code, prohibits any State agency or political subdivision from awarding a contract for goods, services, or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved.
2. The School District should implement procedures designed to ensure the proper certification of the availability of funds. The School District should have internal controls designed to ensure that a certificate is signed by the fiscal officer prior to making any contract or ordering any expenditure of money, in accordance with section 5705.41(D)(1), Revised Code. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances. To improve controls over disbursements and to help reduce the possibility of the School District’s funds exceeding budgetary spending limitations, the Treasurer should certify that funds are or will be available prior to obligations being incurred by the School District, and when prior certification is not possible, “then and now” certificates should be used.
3. The School District should establish written procedures to ensure the School District officials follow the guidelines established in Board Policy as well as section 3313.46, Revised Code for proper advertisement for bids in conjunction with qualifying contracts or projects.
4. The School District should update the Board Policies that address the role of the Budgetary Assistant and the Payroll Assistant. The School District should also implement procedures that address cross-training and processes involved with purchasing.

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

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

Statutory Requirements

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Disbursements

(continued)

Administrative Code Requirements

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

School District’s Cash Disbursement Process

The employee who initiated the purchase requisition form and the Budgetary Assistant (Purchasing) has the responsibility to ensure that goods and services are received prior to payment. When the goods or services have been received, the employee at the building who receives the shipment of goods (normally the Secretary) verifies the contents to the packing slip, if available, attaches the packing slip to the requisition and purchase order; dates and initials, and indicates whether the order is complete and then forwards it to the Treasurer’s office. If a packing slip is not available, the goods are verified against the requisition. If all goods are not received or incorrect items are received, the employee or the Treasurer will contact the vendor and resolve the error accordingly. Once the remainder of the order is received, the Treasurer compares the purchase order to the invoice and once verified, forwards the item to the Budgetary Assistant for payment.

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

The Treasurer staples the requisition, purchase order and the invoice together and signs the invoice meaning, “okay to pay”. Then the Treasurer gives the packet to the Budgetary Assistant. The Budgetary Assistant accesses the purchase order number in the system and verifies the vendor, account code, invoice number, purchase order number, and amount of the invoice before creating a check in the system. The Budgetary Assistant then prints a list of outstanding invoices and compares the individual invoices to the amounts on the list. Once the list is reviewed and verified it is given to the Treasurer for final review before checks are printed. Checks are then signed by the Treasurer, posted accordingly to the accounting system, and then mailed to the vendors for payment. The Budgetary Assistant then creates and files a voucher packet that includes a copy of the check, the copy of the purchase order, the packing slip, when received, and the requisition. All voucher packets are kept in a filing cabinet in the Treasurer’s office and filed numerically by check number.

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Disbursements

(continued)

Bills are normally paid one to three times per month by the School District, based on the volume of invoices and the cash available for payment. If no purchase order exists for an invoice, the employee responsible for the purchase order is notified and requested to process a requisition. If the amount of the requisition is over \$3,000, Board approval is obtained. After the requisition is approved, a “Then and Now” purchase order is created and signed. If it is not approved, the employee is responsible for the purchase. If the invoice amount exceeds the purchase order amount and the overage is immaterial, the purchase order will be revised to reflect the appropriate amount. For blanket purchase orders, the Treasurer receives approval from the Board at the organizational meeting to pay such obligations as they come due.

Prior to printing the checks, the Assistant to the Treasurer informs the Treasurer of the various types of invoices to be paid as well as the total dollar amount of the invoices. The Treasurer verifies that sufficient funds are available to pay the invoices and approves the printing of checks.

Checks are printed one to three times per month. The blank check stock paper is kept in a locked file cabinet in the Treasurer’s office. The check stock paper is completely blank, not pre-numbered and not containing school name, account number or any other information. This information is printed on the checks. The Budgetary Assistant uses a computer program to create and print the checks. The check printing program is user name and password protected. The Treasurer and the Budgetary Assistant have access to the security code for printing budgetary checks. The electronic check signer is accessed by inserting a small floppy disk into the computer that loads the electronic signature. The floppy disk is secured in a locked file cabinet. The Budgetary Assistant compares the checks on the computer screen to the vouchers to ensure that the checks are payable to the same vendor and the amount agrees to the invoice. After reviewing the checks on the computer screen, the Budgetary Assistant prints the checks from the system, mails the check along with the remittance form, and removes the voucher packet from the “accounts payable file” and attaches a copy of the check to the front of it.

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

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

The voucher packet includes the white copy of the check, the invoice, the original copy of the purchase order, the receiving order, and any packing slips. All voucher packets are filed numerically by check number in the Treasurer’s office.

Debt payments are all made by budgetary checks processed by the Budgetary Assistant.

If an accounts payable check is voided, the Treasurer hand writes “VOID” on the check. The voided checks are filed in numerical order in a filing cabinet in the Treasurer’s Office. The Treasurer will also mark that a check was voided on the voucher packet. Voided payroll checks are rare, but when they occur the Fiscal Assistant writes “VOID” on the check, and keeps these checks filed in her office.

The School District does not issue manual checks. All checks are generated by either the budgetary or payroll system.

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Disbursements

(continued)

Auditor of State Comments

1. The School District should document the procedures for cash disbursements. The document should include internal control procedures to ensure that all invoices are properly approved for payment by being marked “okay to pay” by appropriate staff, and include procedures for approval of payment of invoices that exceed the purchase order amount, when only partial orders are received, and when a “Then and Now” certification is to be used.
2. The School District should document the procedures for the staff positions and their functions. The document should include internal control procedures to ensure that all invoices are properly approved for payment by being marked “okay to pay” by appropriate staff, and include procedures for approval of payment of invoices that exceed the purchase order amount, when only partial orders are received, and when a “Then and Now” certification is to be used. These procedures should also require cross-training and the periodic rotation of duties for the entire cash disbursement process.

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

Description of an Effective Method of Payroll Processing

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

Statutory Requirements: The following State statutes apply:

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

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

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

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

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

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The classified employees of the Bellaire Local Schools are represented by the Ohio Association of Public School Employees and Local #250.

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

(continued)

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

School District's Payroll Processing Procedures

The School District's pay period for all employees begins on Sunday and ends on Saturday, 14 days later. Employees are paid on Friday, six days after the pay period ending date. Payroll is processed on a bi-weekly basis for approximately 179 full and part-time employees.

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

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

Timesheets are prepared each pay period by all certified and classified employees. The timesheets are submitted to the building secretaries and department supervisors. Each department supervisor prepares a single time report listing all employees in the department, the hours that each employee worked each day in a two week pay period and any leave taken. Each building secretary prepares a single time report listing all teachers in the school building, the days that each teacher worked in a two week pay period and any leave taken. The time reports are signed and approved by the building principal or department supervisor and then forwarded to the Treasurer's office. The Treasurer signs off on budget projection before payroll is processed. The information is then checked for accuracy on the pay report.

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

(continued)

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

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

Payroll checks are printed and direct deposits are submitted on Wednesday of every pay week in the Treasurer's office. The payroll checks are kept locked in a filing cabinet in the Treasurer's office, and are not pre-numbered. Payroll check numbers are assigned automatically by the payroll system. All payroll checks are printed with a signature on them. The Treasurer's office is responsible for the key to the filing cabinet. Only the Treasurer and Fiscal Assistant have access to the cabinet.

Payroll deductions for the employee portion of STRS and SERS are processed through the payroll system. The Board share of retirement is deducted from the State Foundation. The Board also pays a portion of the employee share of retirements for all District employees (pick up), which is remitted directly to the retirement systems.

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

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

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Bellaire Local Education Association and the Bellaire Local School District Board of Education. The present negotiated agreement covers the period September 1, 2009, through June 30, 2012. The negotiated agreement establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the negotiated agreement identifies the annual amount of personal leave and sick leave accrual for certified employees. Certified employees do not earn vacation.

Individual teacher contracts are prepared by the Treasurer after they are Board approved. The licenses are kept on file in the Superintendent's office. Per the negotiated agreement, certified employees are given a limited one-year contract every year until they have the education and experience required to receive a continuing contract from the School District. Upon meeting the educational and experience requirements, certified employees are given a continuing contract which is in effect until the School District or employee terminates the employment. After an employee has entered into a continuing contract, only a salary notification letter is mailed to the employee.

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

(continued)

agreement. The contracts are effective for the school year or years stated in the contract. Before any contracts are mailed out, they are approved by the Board and signed by both the Board President and the Treasurer.

Classified Employees: Salaries and benefits for custodians, bus drivers, bus aides, cafeteria workers, the EMIS coordinator, para-professionals, the guidance counselor secretary, support services and principal secretaries are governed by a contract negotiated between the Bellaire Local Education Association and the Ohio Association of Public School Employees and Local Number 250. The present contract covers the period from July 1, 2010 through June 30, 2013.

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

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

The Treasurer prepares the salary information and the Fiscal Assistant enters the information in the system. All employees are strongly encouraged to check their own information.

Overtime earned by classified employees is paid in the pay period in which it was earned. Overtime is paid at a rate of one and one half times the employee's hourly rate. An employee must have prior approval from the Superintendent before overtime can be worked. All overtime has to be approved by the employee's supervisor each pay period. The Fiscal Assistant verifies the mathematical accuracy of the overtime reports, checks for the Superintendent's approval, and enters the overtime during the bi-weekly payroll process.

Leave: Vacation and personal leave is credited to each employee annually while sick leave is credited monthly as indicated in the respective certified and classified negotiated agreements or in each administrator's contract. Although established by negotiated agreements, all employees currently receive the same amount of sick leave which is accrued monthly at the rate of 1.25 days for each calendar month. Certified and classified employees can also donate their unused sick leave to a sick leave bank for the use of other employees. Vacation is hand posted on a cover sheet for each employee, personal, and sick leave usage is posted in the payroll system during the bi-weekly payroll process by the Fiscal Assistant according to the amount of time on leave forms and time reports. The system updates the balances automatically.

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

(continued)

The substitute time cards are submitted to the Treasurer's office. Substitute teachers are paid a daily rate and are used as needed. Each building has substitute sheet showing the substitute's information, the name of the employee who is taking leave for the day, and the reason for the absence which is used by the secretaries to match the absent teacher with a substitute. The substitute sheets are approved by principal or building supervisor and sent to the Assistant to the Treasurer for processing. The Fiscal Assistant receives the substitute time cards, calculates the pay and enters this information into the payroll system.

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

Leave without pay is only used under limited circumstances. If no other type of leave is available or able to be used, and it must be approved through the Superintendent, and a request form is completed. The leave form is sent to the Fiscal Assistant, who calculates the amount to be adjusted on the employee's original contract, and it is then entered into the payroll system.

Other Employees: Board members are paid at a maximum rate of \$125 per meeting for a maximum 10 meetings for half of the fiscal year, and a total of 20 meetings per year. The Treasurer provides an attendance sheet to the Fiscal Assistant which shows Board member attendance for each meeting. The Board members are paid the twice a year in June and December for the Board meetings.

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

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

Other Employee Benefits: The School District provides medical, vision and dental benefits to all employees, administered through the Health Plan for medical and prescription, and Vision Service Plan for vision coverage. Dental benefits are self-insured and administered through Medical Mutual. The School District pays a percentage of the total premium, depending on the type of employment status of the employee. Life insurance benefits are provided through Sun Life Financial. Life insurance is paid completely by the Board of Education.

Payroll deductions: Payroll deductions for medical and dental insurance benefits are processed through the payroll system. The School District pays both the employer and employee portion by processing a budgetary check. The employee portion withheld from the employee's paycheck is used to reimburse the School District. The Fiscal Assistant is responsible for the preparation of the documentation for the payments of

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

(continued)

medical, dental, life insurance benefits, and all other benefits when due. All payroll deduction reports and insurance invoices are maintained by the Fiscal Assistant.

Preparation: The Fiscal Assistant has a checklist for running the payroll program. The checklist names the reports that need to be run and lists the steps to be taken to process payroll. All payroll information must be received by the Friday before the pay week. On Monday of pay week the Fiscal Assistant enters information into the system and begins processing payroll.

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

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

The Fiscal Assistant prints the payroll checks and generates direct deposits using the CHKPRT program. Payroll checks and direct deposits are posted to the payroll system and general ledger system by running the CHKUPD program. The Fiscal Assistant verifies that the direct deposit amount matches the total on the PAYDIR report.

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

Direct deposit is preferred by the School District. The majority of employees have direct deposit. Paper checks are printed with the Treasurer's signature by the Fiscal Assistant. During the school year, the checks and direct deposit stubs are manually sorted by the Fiscal Assistant and are sent to each building or department for distribution to employees. During the summer months and on holiday breaks, employees have their pay stubs sent to their house.

Internal Revenue Service W-2 forms are processed at the end of the calendar year. W-2 forms are processed, and the file is available to OMERESA. W-2 forms are printed by OMERESA fiscal services, and are distributed to all employees usually by the second pay of January. All W-2 information is submitted electronically to the IRS.

Once an employee is terminated from the School District, the Treasurer and the Fiscal Assistant each calculate the employee's severance and final pay to compare their figures to ensure that the calculation is correct.

Bellaire Local School District – Belmont County

Financial Accounting Report

Payroll Processing

(continued)

Auditor of State Comments

1. The School District should adopt a policy to accurately define the duties, process, and segregation of duties involving the payroll process. In addition, written procedures should be developed to address specific reporting requirements required for accurate payroll processing.
2. The School District should develop internal control procedures to ensure School District employees complete the appropriate paperwork required by the School District and Federal Programs, and that such paperwork is approved by the appropriate staff in order to ensure that accurate payroll processing.

Bellaire Local School District – Belmont County

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

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

Statutory Requirements

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

School District's Debt Administration

Debt Issuances are approved by the Board through resolution. The Board resolution identifies the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. The following debt obligations were outstanding as of June 30, 2011.

	Interest Rate	Principal Outstanding 6/30/2011
State Solvency Assistance Advance	0.0%	\$3,106,500
<u>General Obligation Bonds</u>		
2000 School Facilities Bonds		
Serial Bonds	6.0%	765,000
<i>Total 2000 School Facilities Bonds</i>		<u>765,000</u>
2009 School Improvement Refunding Bonds		
Serial Bonds	3.5% to 4.0%	1,395,000
Term Bonds	2.0% to 3.0%	135,000
Capital Appreciation Bonds	3.9% to 4.0%	249,996
Accretion on Capital Appreciation Bonds	9.697%	58,620
Premium		143,061
<i>Total 2009 School Improvement Refunding Bonds</i>		<u>1,981,677</u>
<u>Capital Leases</u>		
2008 Xerox Combined Lease	8.0%	55,964
<i>Total Capital Leases</i>		<u>55,964</u>
<i>Total Debt</i>		<u><u>5,909,141</u></u>

Bellaire Local School District – Belmont County

Financial Accounting Report

Debt Administration

(continued)

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

2000 School Facilities General Obligation Bonds - On February 1, 2000, the School District issued \$4,038,000 in voted general obligation bonds for the purpose of retiring \$4,038,000 in bond anticipation notes that were issued for the purpose of constructing, acquiring, reconstructing, and making additions to classroom facilities under authority of and pursuant to the general laws of the State of Ohio, particularly Chapters 133 and 3318 of the Ohio Revised Code. The bonds were issued for a period of twenty-two years with a final maturity at December 1, 2021.

In connection with the passage of the bond issue, the School District also passed a half-mill levy for the maintenance of the new building.

2009 School Improvement Refunding General Obligation Bonds – On April 9, 2009, Bellaire Local School District issued \$1,859,996 of general obligation bonds. The bonds were issued to refund \$1,860,000 of outstanding 2000 School Facilities General Obligation Serial and Term Bonds. The bonds were issued for a 13 year period with final maturity at December 1, 2021. At the date of refunding, \$1,983,580 (including premium, and after underwriting fees, and other issuance costs) was deposited in an irrevocable trust to provide for all future debt service payments on the refunded 2000 School Facilities General Obligation Term Bonds.

These refunding bonds were issued with a premium of \$169,073. There was no amortization of the issuance costs for fiscal year 2009, as the refunding occurred in April. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$123,580. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of \$256,384. The issuance resulted in an economic gain of \$205,102.

The 2009 bond issue consists of serial, term and capital appreciation bonds, \$1,395,000, \$215,000, and \$249,996, respectively.

The School District participated in the State Solvency Assistance in fiscal years 2010 and 2011. The State Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that have suffered an unforeseen catastrophic event. The School District received \$1,273,000 in state operating loan proceeds at zero percent interest during fiscal year 2011. The School District had received \$3,667,000 in state operating loan proceeds during fiscal year 2010, \$1,833,500 of which had been repaid through deductions in the School District's state foundation receipts as of June 30, 2011, leaving a total outstanding balance of \$3,106,500 at June 30, 2011. The amounts remaining on loans will be repaid through the deductions in state foundation receipts according to the following schedule:

<u>Fiscal Year</u>	<u>Principal</u>
2012	\$2,470,000
2013	636,500
Total	<u>\$3,106,500</u>

Auditor of State Comments

None.

Bellaire Local School District – Belmont County

Financial Accounting Report

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

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

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

Statutory Requirements

Section 3313.41(A), Revised Code, requires that, except as provided in divisions (C),(D),(F), and (G) of this section, when a board of education decides to dispose of real or personal property that it owns in its corporate capacity, and that exceeds in value \$10,000, it shall sell the property at public auction, after giving at least thirty days' notice of the auction by publication in a newspaper of general circulation or by posting notices in five of the most public places in the School District in which the property, if it is real property, is situated, or, if it is personal property, in the School District of the Board of Education that owns the property. The Board may offer real property for sale as an entire tract or in parcels. Under division (B), when the Board of Education has offered real or personal property for sale at public auction at least once pursuant to division (A) of this section, and the property has not been sold, the Board may sell it at a private sale. Regardless of how it was offered at public auction, at a private sale, the Board shall, as it considers best, sell real property as an entire tract or in parcels, and personal property in a single lot or in several lots.

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

School District's Method of Accounting for Capital Assets

The Board of Education has adopted formal policies regarding capital assets. The Board policy defines capital assets as those tangible assets of the School District with a useful life in excess of five years and an initial cost equal to or exceeding the amount \$5,000. Capital assets are to be valued at actual cost. If actual

Bellaire Local School District – Belmont County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

costs are not available, the method to be used to establish historical costs shall be established by the Treasurer. Donated assets shall be valued at the donor's estimated fair market value at the date of the gift.

The policy further requires the School District to maintain a capital assets accounting system. The capital assets accounting system is to provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principles, determine adequate insurance coverage and provide control and accountability. Board policy states that the Treasurer's office is responsible for the development and maintenance of the capital assets accounting system. The Treasurer will review aggregate purchases on a case-by-case basis to determine whether they will be capitalized. For example, if 150 chairs are purchased at \$100 each on a single purchase order for a total of \$15,000.

The School District maintains their capital assets through the electronic inventory system as part of the state software package. The last physical inventory to verify the existence of capital assets was performed by Valuation Engineers for fiscal year 2007. The Treasurer verifies and inputs additions and deletions, and runs electronic inventory system reports to be used for GAAP reporting.

Controlled assets do not meet the criteria for capitalization, but are inventoried because of their vulnerability to theft, such as audiovisual and certain computer equipment, will be defined and reported by the Treasurer.

New capital assets are tagged when received as part of the School District's accounts payable process.

The School District's capital assets policy states that assets will be depreciated on a straight-line basis using the approved schedule of standard new life. Certain assets may be depreciated differently, based on current governmental accounting practices and procedures.

The School District's policy on disposal of capital assets states that capital assets will be removed from the capital asset inventory as follows:

Obsolete Items: The Superintendent and Staff will identify an item as obsolete in the Capital Asset Disposal Form and submit it to the Treasurer's office for final action. The Treasurer then presents the listing of obsolete assets to the Board, once approved the Treasurer's office will make the necessary adjustments to the capital asset inventory when the item is disposed.

Worn-out or Damaged: The responsibility for worn-out or damaged capital assets will remain with the School District until they are sold or otherwise disposed of. A listing of these items is also to be provided to the Board for approval.

Lost or Stolen Items: When theft is suspected, the incident must be reported to the police department as soon as possible. The department will complete a Capital Asset Disposal Form, attach a copy of the police report and forward it to the Treasurer's office, and the Treasurer will then provide this information to the Board. Lost items will be documented on a Capital Asset Disposal Form and kept on file for review.

Trade-Ins: The Treasurer's office will be responsible for handling any trade-in arrangements that result from the purchase of new equipment or vehicles. The new asset will be added and the old asset will be removed according to governmental accounting procedures.

Bellaire Local School District – Belmont County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

The food service secretary performs a physical inventory of materials and supplies at the end of each month and sends the inventory sheets to the Treasurer at fiscal year end. The School District does not perform a fiscal year-end inventory of materials and supplies of the bus garage because they only purchase materials and supplies on an as need basis as a cost savings initiative, and feel that any amount remaining at fiscal year-end would be immaterial.

Auditor of State Comments

1. The School District should update its Policies and Procedures Manual regarding its capital assets process and segregation of duties relating to the acquisition of capital assets. In addition, the policy and procedures should specifically address the need to maintain accountability for non-capitalized assets, including the process for the verification of the existence of these assets, at least once every two years in order to help prevent theft or loss and to confirm the accuracy of the capital asset records.
2. The School District should adopt materials and supplies inventory policy to address various aspects of the process involved for materials and supplies, noting frequency of the inventory, items to be inventoried, method to be used, individuals responsible to inventory items and individuals responsible for verifying the count.

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

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

Statutory Requirements

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

Cash management and investment activities of a school district are additionally governed by Sections 135.01 to 135.22, and 3313.31 and 3315.01 of the Ohio Revised Code.

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

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

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

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

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

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

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Management and Investing

(continued)

Federal Requirements

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

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

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

The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. The Treasurer reconciles the treasury with the accounting records and transfers cash among the various bank accounts as needed. The Treasurer makes all investments. A reconciliation for the School District's bank accounts and a report on interest income is presented to the Board of Education at each monthly Board meeting.

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

Bank and Account Description

General Checking Account	This checking account is used for the general operation of the District.
Payroll Account	This checking account is a zero balance clearing account used for the biweekly payroll distribution.
Savings Account	This account is for donations used for scholarships.
Money Market Accounts	These accounts are used for donations held for scholarships, donations for the weight room, and for facilities.
Flex Spending Checking Account	This account is an employee medical flex spending reimbursement account.
Certificates of Deposits	One certificate of deposit is a surplus of inactive funds, and the remaining are all used for donations held for scholarships.

Bellaire Local School District – Belmont County

Financial Accounting Report

Cash Management and Investing

(continued)

Generally, within two weeks of month-end, the Treasurer closes out the previous month. The Treasurer will then reconcile the bank accounts for the previous month manually. Any discrepancies are noted on the monthly cash reconciliations, and posted to the accounting system. The cancelled check images for the operating account and the payroll account are part of the bank statement and are filed with the reconciliations in the Treasurer's Office.

At the end of each month the food service secretary receives the bank statement for the Food Service checking account, and reconciles the month end statement. The food service secretary then gives the reconciled bank statements to the School District Treasurer to verify and review the bank statement for errors. Once a month the Treasurer writes a check from the Food Service checking, and deposits the check in the General checking account that represents the prior month's food service customer charges.

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

The Bellaire Local School Board of Education has an investment policy which authorizes the Treasurer to make investments with available monies from the funds of the School District in securities authorized by State Law. The School District's investments include a Money Market Mutual Fund, and Certificates of Deposits. In fiscal year 2011 and prior years, the funds that received interest are the General Fund, Miscellaneous Local, Miscellaneous State, Classroom Facilities Maintenance, and Private Purpose Trust Funds.

The School District has a change fund for athletics. A check for \$400 was written out of the athletics fund to the Athletic Director at the beginning of the school year, and at the end of the school year it was returned to the Treasurer's office and deposited. There is also a \$50 change fund in the office used to make the change for fingerprinting fees.

The School District has depository agreements with United Bank and Belmont Savings Bank.

Auditor of State Comments

1. The School District does not have a policy for distribution of interest income. The School District should adopt a policy for the distribution of interest income.
2. The School District should ensure timely reconciliation procedures in order to provide more accurate and timely reporting of cash management and investing activities to the Board of Education, so that the Board is able to make financial decisions based on the most accurate financial information.

Bellaire Local School District – Belmont County

Financial Accounting Report

Financial Reporting

Description of Effective Method of Financial Reporting

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

Statutory Requirements

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

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

Administrative Code Requirements

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

School District's Method of Financial Reporting

The School District uses software provided by the Ohio Mid-East Regional Education Service Agency (OME-RESA) which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports, and places them in binders and stores them in file cabinets in the Treasurer's office. The food service secretary reconciles the cafeteria checking account each month, and provides the Treasurer with the bank statements at month end to verify the reconciliation.

During the regular monthly Board meeting, all Board members receive a finance and investment summary from the Treasurer discussing the current financial position as of the end of the prior months, the monthly financial summary report includes receipts, expenditures, including budget and actual, as well as, current fund balance for each fund, a list of checks, bills to be paid, a reconciliation for the School District's bank accounts, and a report on interest income. The financial summary report is prepared by the Treasurer. Other financial reports are given according to requests of the Board members.

Bellaire Local School District – Belmont County

Financial Accounting Report

Financial Reporting

(continued)

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited financial statements are filed with the Auditor of State within 150 days of the end of the fiscal year or, if unable to meet the deadline, an extension is requested. The School District filed a copy of its annual financial report to the office of the Auditor of State for the fiscal year ended June 30, 2011 on November 22, 2011. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members.

The School District publishes a notice of the availability of the financial statements in the local newspaper each year.

Auditor of State Comments

1. As addressed in current Board Policy, the School District should implement procedures to ensure that the Board receive and approve timely, monthly financial statements.
2. The School District is subject to an annual audit in compliance with Government Auditing Standards and Office of Management and Budget (OMB) Circular A-133. The Board of Education should establish a committee to review the audit report and should consider formally accepting the audit report by resolution of the Board of Education, as well as establish internal control procedures to ensure the appropriate filings are made.

Bellaire Local School District – Belmont County

Financial Accounting Report

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The School District's minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board's decisions. Minutes of proceedings should be approved at the subsequent meeting. A resolution should be limited to one subject, which should be clearly expressed in its title. Proposed legislation is to be drafted and available for all Board members to review prior to the Board meeting at which they will vote upon it. In the adoption or passage of a resolution, the yeas and nays should be entered into the minutes and the resolution should be signed by the presiding officer and the Treasurer. All Board minutes and resolutions should be maintained as a permanent record of the Board.

Statutory Requirements

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

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

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

School District's Method of Recording Official Proceedings

The Board of Education holds their regular meetings on the second Monday of each month. The Treasurer takes notes during the Board of Education meetings. From those notes, the Treasurer prepares the minutes of the meeting. The minutes include who is in attendance, a summary of topics discussed, resolution numbers and a description of the resolution, and votes on each resolution. The minutes are approved by the Board at the first meeting in the following month and then the minutes are signed by the President of the Board and the Treasurer. Typed minutes and resolutions are kept in the Treasurer's office.

Auditor of State Comments

None

Bellaire Local School District – Belmont County

Financial Accounting Report

Conclusion

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

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



Dave Yost • Auditor of State

BELLAIRE LOCAL 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
FEBRUARY 21, 2012**