



**Dave Yost • Auditor of State**

**Coventry Local School District  
Summit County, Ohio**

**Report on Accounting Methods**

**Local Government Services Section**

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**Coventry Local School District, Summit County  
Report on Accounting Methods**

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# Dave Yost • Auditor of State

## CERTIFICATION

On December 4, 2015, the Coventry 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 Coventry Local School District.

Section 3316.10(A), Revised Code requires that the Board of Education of the Coventry 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

September 26, 2017

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## Coventry Local School District – Summit County

### Financial Accounting Report

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#### Purpose

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

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

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### Governance Overview

Coventry 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 4, 2015, 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 Fiscal Officer;
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 Coventry 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 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

The Commission has defined the level of fiscal management and control that the Commission will exercise within the School District during the period of fiscal emergency as required under Section 3316.06(A)(2) of the Ohio Revised Code. The complete role of the Commission has been addressed in the financial recovery



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plan adopted on May 23, 2016, and includes the power to approve contracts entered into by the Coventry 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.

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### Budgetary Process

#### Description of an Effective Budgetary System

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

#### Statutory Requirements

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

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

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

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

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No appropriation measure shall become effective until the County Fiscal Officer 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 Fiscal Officer shall give a certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

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

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

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

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

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

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to include five-year projections of operational revenues and expenditures in a five-year forecast. Under Section 3301-92-04 of the Ohio Administrative Code, school districts are to submit the projections to the Ohio Department of Education. The projection must contain the information and be in a format prescribed by the Ohio Department of Education and Auditor of State. The projection includes three years of historical revenues and expenditures and a projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. The projection is filed upon the adoption of an annual appropriation measure, but no later than October 31. A

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school district is required to update its five-year projection between April 1 and May 31 and submit it to the Ohio Department of Education. Nothing precludes a school district from filing other updates to its five-year projection at any time in addition to the required filings.

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

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

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

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

#### **School District's Budgetary Process**

The School District's Board approved policies regarding the budgetary process provide that annual appropriations shall be developed, approved and filed according to State statute and the requirements of the Auditor of State. The Treasurer is to present the tax budget for the general fund and other funds receiving tax revenues to the Board before January 15<sup>th</sup> each year. The Board must have at least one public hearing for the budget, giving public notice not less than ten days prior to the hearing. While the schedule of board meetings is available online for the calendar year, no specific notice is given for the budgetary hearing. The Board adopts as part of its annual appropriation measure a spending plan setting forth a five-year projection of revenues and expenditures of the general fund. The Board policy does not address the legal level of control for appropriations; however, the appropriation measure is adopted at the fund level for all funds. The Treasurer reports any occurrences of non-compliance with Ohio Budgetary Law and the corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.

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Prior to January 15, the Board must adopt a tax budget for the fiscal year commencing the following July 1. The Treasurer prepares the tax budget and presents it to the Board for adoption. This budget includes proposed expenditures and the means of financing the expenditures for funds receiving tax revenues (general, debt service, permanent improvement, and classroom facilities maintenance). The Board meeting in which the Treasurer presents the tax budget to the Board for approval also functions as a public hearing to obtain taxpayer comments. Once the budget is adopted, it is filed with the Summit County Budget Commission no later than January 20. The alternative tax budget for fiscal year 2018 was filed with the Budget Commission on January 20, 2017. The Budget Commission determines the amount of millage and calculates the estimated revenue by levy.

On April 19, 2016, the Board accepted, by resolution, the tax rates as determined by the Budget Commission and received the Budget Commission's certificate of estimated resources for fiscal year 2017.

After the close of the fiscal year, the Treasurer takes the fiscal year-end balances from the Financial Summary report and creates a spreadsheet for the amended certificate showing the beginning available balances and estimated amounts to be received and sends it to the County Fiscal Officer for the next fiscal year. The County Fiscal Officer will review the amended certificate and sign it. If there are any changes in estimated revenues, the Treasurer will send a request to the County Fiscal Officer, and the County Fiscal Officer will issue a new amended certificate. When the request is sent to the County Fiscal Officer, adjustments to the amended certificate are entered into the accounting system.

On September 20, 2016, the Board adopted the permanent appropriation measure for fiscal year 2017, at the fund level for all funds, prior to the start of the new fiscal year. The permanent appropriation measure was submitted to the County Fiscal Officer on October 3, 2016, while the amended certificate request was submitted to the County Fiscal Officer on September 22, 2016.

The Treasurer prepares appropriations based upon prior years' history and currently known facts. The Treasurer keeps spreadsheets that track estimated resources and appropriations. The Treasurer compares the appropriations on the spreadsheet to the estimated resources to make sure that the total appropriations do not exceed total estimated resources. The Treasurer submits permanent appropriations to the Budget Commission. Throughout the year, the Board approves additional appropriations as needed. Additional amended certificates are requested if needed, but frequently only one or two amendments are requested in a fiscal year. Each time changes to appropriations or estimated resources are requested, the Treasurer sends the spreadsheets showing the total estimated resources and the total appropriations to the County Fiscal Officer along with the requested adjustments. Before the end of the fiscal year, the Treasurer submits a request for a final amended certificate of estimated resources. The Treasurer receives a certificate from the County Fiscal Officer certifying that appropriations from each fund do not exceed the official estimate of resources. The Treasurer received this certificate for the end of fiscal year 2017. This certificate and the amended certificate are filed in the Treasurer's office.

At the beginning of the year, the Board approves the student activity accounts for programs it wishes to be operational. Appropriations for all student activities are set at the fund level in the appropriation measure, with the Treasurer budgeting for student activities based on historical information. Student activity purpose and goals forms are completed by the activity advisors shortly after the beginning of the school year. The form identifies the activity, purpose, planned fundraisers, total estimated revenues, total estimated expenditures, and estimated revenue over expenses. The Treasurer makes modifications as needed throughout the year.

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Permanent appropriations are entered into the accounting system after they are approved by the Board. If additional or new appropriations are determined to be necessary, the amounts are entered into the system by the Treasurer and then presented to the Board for approval before submitting the request to the County Fiscal Officer.

Once a month, the Treasurer uses spreadsheets to compare actual amounts to estimated revenues and appropriations. If actual revenues indicate that an increase to the certificate is warranted, the Treasurer will make the necessary adjustments in the spreadsheet and request an amended certificate from the County. Actual expenditures may warrant a reallocation of the appropriations among functions within a fund or require an increase in appropriations, in which case the Treasurer will update the spreadsheet and have the changes included in the Board agenda for the next meeting. Once the Treasurer receives documentation back from the County certifying the appropriations and that they do not exceed the certificate, the Treasurer then enters the information from each document into the system. Each time estimated revenues or appropriations are changed in the system, the Treasurer will again run the REVLED and BUDLED reports and check that the budgeted amounts in the system tie to the amounts on the spreadsheets for estimated resources and for appropriations. Comparisons are done regularly for all of the School District's funds; however, at the end of fiscal year 2017, the School District's FINSUM reported funds with negative balances. The Board receives the Form S-2, a comparison of estimated resources to appropriations and estimated amounts to actual amounts, each month.

Each year the Treasurer prepares a five-year forecast, including assumptions, that is approved by the Board, the Commission and the Ohio Department of Education Consultant, and filed with the State Department of Education by October 31. An updated five-year forecast is approved in the same manner and filed by May 31. The forecast is filed electronically through State software. The Treasurer keeps the five-year forecast on file in the computer with the documentation that was used to prepare the forecast.

#### **Auditor of State Comments**

- The School District's policy should state what the legal level of control is. While Section 117-6-02 sets the minimum legal level at the fund level, the School District's policy should specifically state if its legal level is at the fund level or a more detailed level.
- Expenditures plus encumbrances for fiscal year 2017 exceeded appropriations in the permanent improvement capital projects fund.
- At June 30, 2017, the School District had deficit fund cash balances contrary to Section 5705.10, Revised Code.

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### Revenue Activity

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

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

#### Statutory Requirements

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

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

#### School District's Receipt Process

The School District's primary sources of revenues include property taxes collected and remitted by the County Fiscal Officer and Treasurer, State Foundation program revenues, and Federal and State grants (both of which are remitted to the School District from the Ohio Department of Education). The School District also collects student fees and admissions for athletic events at the various school buildings and charges for school lunches served in their cafeterias. Monies are received by the School District via electronic transfer, in the mail, and through various cash collection sites throughout the School District. There is no Board policy in place for the deposit of public funds. In practice, monies are deposited directly to the bank by the departments that receive them on a daily basis. Monies need to be safeguarded until deposited. The Board policy on bonding states that the School District shall bond certain employees as determined by the Board under a Position Schedule Bond. These bonds pertain to positions rather than specific individuals. All employees that handle money are covered through the School District's liability insurance. The Treasurer is individually bonded.

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The process in the Treasurer's Department for the recording of receipts varies, depending on if the receipt is being directly received by the Treasurer's Department, received via the MySchoolBucks system, or if it has been received in another department. The Treasurer's Department directly receives some miscellaneous payments. Typically, these payments are received through the mail or by individuals coming into the Treasurer's Department. If cash or a check is received in person by the central office, the payer receives a hand-written receipt form. The receipt form is pre-numbered and has three copies, white, pink and yellow. The white copy is given to the payee, the yellow copy is used to key the receipt into the system and then stapled to the system receipt form, and the pink copy stays in the receipt book. The Financial Assistant prepares a deposit slip and a receipt and places the deposit in a bank bag. The Financial Assistant takes the bag to the bank once per day. At this time, the Financial Assistant obtains a deposit ticket for the deposits. The deposit tickets are filed with the corresponding receipt documentation in the Financial Assistant's office.

The School District utilizes an online system called MySchoolBucks. Parents can log in to the MySchoolBucks website to pay student fees, pay-to-play fees, or prepay for student lunches. Twice each week, MySchoolBucks deposits the monies into the School District's "EZ pay" bank account. Once per month, the Financial Assistant prints out payment summaries from the School District's MySchoolBucks account and uses them to fill out an excel sheet for tracking food service receipts as well as post the receipts to the system. At this time, the Financial Assistant also transfers the funds deposited into the EZ pay bank account into the general checking account via online banking.

If a receipt originates in another department, the supporting documentation submitted with the deposit (as described below) is used to key the receipt into the system and this documentation is then attached to the system receipt form. Typically once a week, the Financial Assistant keys all receipts for the week into the system.

System receipt numbers are assigned automatically. After keying in the receipts for the week, the Financial Assistant prints each system receipt, matches it to the supporting documentation and the online general bank account, and initials them. The system receipts, with supporting documentation including bank deposit tickets, are filed in the Financial Assistant's office. The Treasurer also reviews system receipts monthly against bank statements.

**Building Receipts:** The Building Secretaries handle receipts at the three school buildings. School fees and fines are often received directly by the Building Secretaries. Student activity receipts are often received by faculty advisors. Receipts collected by faculty advisors must be accompanied by a Student Activity Pay-In Form. The form includes the date, activity name, amounts received in cash and by check, and the faculty advisor's signature. At the High School and Elementary School, the Building Secretary asks that any monies a faculty advisor receives for student activities be turned over within two days if under \$1,000. If receipts are held overnight by a faculty advisor, it is up to them to safeguard it until it is remitted. At the Middle School, the Building Secretary requires that any receipts collected by faculty advisors be turned over the same day to be kept in a locked safe. The Building Secretary enters these payments into the R111 system, the software used at the school buildings, when the pay-in is received. When the Building Secretary receives a payment by check or cash, it is also entered into the R111 system. The first page of the payment report in the system can be printed as a receipt to the student if desired. The Building Secretary then records the payment on a printed sheet where the student name is written as well as the amount received in the column that matches the purpose for which it was received. Once per week, this sheet is used to fill in the Bank Deposit Form. The Bank Deposit Form lists the most commonly used revenue account codes for the school building, as well as a description of each revenue type. The Building Secretary writes the total amount received for each receipt type on the appropriate line. The form also includes the date and the amount of the total deposit. At this time, the Building Secretary also prepares a bank deposit slip and places it along with the monies in an unlocked zipper bank bag which is taken to the bank. The bank keeps the white copy of the deposit slip while the



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Building Secretary retains the pink and yellow copies. The Building Secretary then sends the yellow copy of the deposit slip, the Bank Deposit Form, and a printout of payments received for the week from the R111 system to the Treasurer by interoffice mail.

There is a school safe at each school. The combination lock safe is located in a room that is also locked by key at all times. At the High School and Elementary School, the School District employees working in the main office all have access to the room key, but only the Building Secretary, Athletic Director and Principal have the combination to the safe. At the Middle School, the Building Secretary, Principal, Assistant Principal, Guidance Counselor, and Custodian have access to the room where the safe is located, but only the Principal, and Building Secretary have access to the safe.

*Student Activity Receipts:* The Board policy on student activities states that the School District shall implement administrative guidelines related to student activity funds. The Treasurer has written guidelines for student activities advisors which are distributed each year, along with the forms needed for student activity recordkeeping.

For student fundraisers, the Student Activity Advisor fills out the Request for Fundraiser Form. The form is signed first by the Principal of the building and then by the Superintendent. The forms are then filed in the Financial Assistant's office. The form includes the activity group name, proposed project, intended vendor, proposed quantity to be ordered, approximate cost per unit, proposed sale price per unit, requisition number, and advisor name and signature. If approved, the form is signed by the School Principal and the Superintendent. This form is then sent to the Financial Assistant's office and a purchase order for the products is issued.

The Student Activity Advisor collects money from the club members participating in the activity and counts the money. The Student Activity Advisor turns in the money to the Building Secretary along with a pay-in form on the same day the money is collected. However, in some cases, money collected by student activity advisors is held overnight. The Building Secretary handles the student activity receipts as described above once funds and pay-in orders are received. The Financial Assistant receipts the monies into the system once per week. The pay-in form is filed in the Treasurer's office with the system receipt.

*Receipts from Student Fees and Fines:* Student fees include course fees for the year and participation fees for extracurricular activities. All students in Kindergarten through eighth grade pay fees based on the grade they are in. In grades nine through twelve, students pay fees according to the courses that they are taking. The fees are used to offset the costs of paper and other consumable instructional supplies. The fee schedule varies between grade-levels and course taken. The Board sets the fees prior to each school year. Participation fees are charged for students participating in extracurricular athletics or band. All students are charged fines for lost or damaged books.

Student fees and/or fines may be paid to the building secretaries or through the MySchoolBucks system. Upon receiving the payment for fees or fines, the Building Secretary enters the payment into the R111 system. If a student's fees have been paid in person or through MySchoolBucks, the Building Secretary must manually indicate the fees have been paid in the Data Analysis for Student Learning system (DASL), the system used to track student's fees owed and paid.

At the beginning of the school year, the Building Secretaries upload a list of students into DASL and manually assign certain fees to each student. If a student is eligible to have their fees waived, they must obtain a School Fee Waiver, have it filled out and return it to the Building Secretary. If the waiver is approved, it is signed by a District Administrator. The Building Secretary then goes into the system manually to remove fees from the student's account so that they are no longer shown as due.

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At the beginning of the school year and each sport season, the Athletic Secretary receives rosters of students participating in extracurricular activities from the coaches. Participation fees can also be paid through MySchoolBucks. The Athletic Secretary tracks participation fees due and paid on a spreadsheet, and inputs any participation fees still unpaid at the end of the season into DASL. Participation fees are not tracked entirely on DASL because there is no efficient way to import entire rosters into the system to assign the fees to the student's accounts.

Letters are sent home to inform parents of past-due fees. The letters are followed up with phone calls if necessary. Students with past-due fees have their ability to check their grades online revoked and are not permitted to participate in graduation ceremonies unless all fees and fines are paid.

The Board policy on student fees, fines, and charges defines fees and fines, addresses the handling of such monies, and indicates a general reasonableness for fines and fees.

#### Athletic Event Receipts:

The School District charges an admission fee for junior/senior high school football, basketball, soccer, volleyball, and wrestling events. The ticket sellers are teachers with the School District. When a ticket is sold, a ticket is given to the buyer. The unsold tickets (tickets are pre-numbered) are kept in a locked cabinet in the High School Main Office, where the Athletic Director's office is located.

The ticket seller gives their cash box to the administrator on-hand once ticket sales have concluded for an event. The cash box is not counted at this time in the presence of the ticket seller. The administrator is either the Athletic Director or a Principal. The administrator is escorted by a Sheriff back to the High School Main Office and the cash box is stored in the safe. The next day, the Athletic Director uses a Gate Receipts form to reconcile the cash drawer. This form includes the type of event, date, ticket type (student or adult), ending ticket and beginning ticket numbers, ticket price, amount of ending change and the signature of the administrator. The beginning ticket number is written on the form prior to the event. Once the form has been completed, a deposit slip is prepared and placed with the money in an unlocked zipper bank bag and taken to the bank. Any discrepancies related to the Athletic Director's drawer count are handled prior to deposit in conjunction with the ticket seller. The bank retains the white copy of the deposit slip while the yellow and pink copies are retained by the Athletic Director. The deposit slip is then passed to the Attendance and Athletics Secretary who fills out a pay-in form that is sent to the Treasurer with the yellow copy of the deposit slip. At this point, the Treasurer follows the receipt process described previously.

#### Cafeteria Receipts:

Students pay for breakfast and lunch with cash or check daily, or they may prepay. Students can prepay by submitting checks to the building secretaries or online via MySchoolBucks. The Building Secretaries credit the student's account and include the money with their deposit procedures.

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

All students are given an identification number that when entered into the pin pad brings up their account for the cashier, who is either a hired cashier or a cook. The cashier enters either a regular lunch or ala carte items and then the total is shown as paid if the student has a prepaid balance on their account or if they are eligible for free lunch. If the student has not prepaid and is not eligible for a free lunch, the student gives their lunch money to the cashier.

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At the beginning of the school year, the Treasurer issues each school cafeteria change and it is placed in the cash registers of each cafeteria. The NutriKids system generates lunchroom reports which total meals served and monies collected. After the last lunch period, the cashier for each register separates the receipts from the starting cash drawer money, counts the receipts, and records the receipts in the Cash Counter Report in the system. The cash drawers and each cashier's deposit receipts then go to the Head Cook for the building. The Head Cook prints off a Day End Report and a Cash Counter Report. The Head Cook first counts the beginning cash drawer money to ensure accuracy before counting each cashier's deposits against the printed reports. Once these amounts have been verified, the Head Cook prepares a deposit slip. The Head Cook places the deposit slip and the monies into a zipper bank bag before taking the daily deposit to the bank to be deposited in the general checking account. The Head Cook then verifies that the bank receipt matches the deposit slip. The daily receipts are stored at the kitchens and copies are sent to the Treasurer once a week by interoffice mail.

The NutriKids system automatically posts the amounts from the Day End reports into a monthly Period End report. The Food Service Coordinator uses the Period End reports for all three schools to monitor prepaid balances both daily and at month-end. The Food Service Coordinator submits the CN6 and CN7 equivalent forms electronically through NutriKids to the Ohio Department of Education for Federal and State meal subsidies. The subsidies are received via wire transfer and a system receipt is posted by the Financial Assistant, in the same manner as other payments from the Ohio Department of Education, as described below.

#### Treasurer's Department:

The Treasurer's Department receives State Foundation, property taxes and allocations, and most Federal and State grants by electronic transfer. Typically once per month, the Financial Assistant reviews the Ohio Department of Education (ODE) website for online payments and then matches those to the online activity reports for the bank account where wire transfers are received. Supporting documentation, such as the foundation settlement sheet, property tax settlement sheet, or ODE payment detail report is printed and the Financial Assistant uses them to determine the proper account codes for posting the receipt. The Financial Assistant enters a system receipt for posting gross receipts and reductions to receipts, as well as memo expenditures and reductions of expenditures related to these receipts.

Receipt of State Foundation: State Foundation monies are wire-transferred bi-monthly from the ODE. The State Foundation settlement sheets which identify the various sources of State aid are printed from the ODE's web page by the Financial Assistant. Generally, foundation settlements include restricted and unrestricted receipts and tuition payments from other school districts. ODE also deducts from each settlement the pension contributions and tuition payments due to other school districts and community schools. The Financial Assistant identifies the proper accounts for posting the revenue and deductions based upon the State Foundation settlement sheet. The Financial Assistant attaches the State Foundation settlement sheet and a pension contribution distribution report to the system receipt and files them in the Financial Assistant's office.

Receipt of Property Taxes: The Financial Assistant identifies the proper account codes for gross property tax receipts and deductions based upon the tax settlement sheet received from the County Fiscal Officer and keys the receipts into the system.

Receipt of Property Tax Allocations: Homestead and rollbacks are wire-transferred twice a year. The Financial Assistant identifies the account codes based upon the tax settlement sheet received from the County Fiscal Officer and keys the receipts into the system.

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*Receipt of Grant Monies:* The School District participates in various Federal and State grant programs. The Treasurer enters the budget for each grant into the ODE website under the Comprehensive Continuous Improvement Planning (CCIP) System. The CCIP System is a unified grants application and verification system provided by the ODE. When cash is needed from a particular grant the Treasurer completes an online CCIP Project Cash Request.

During the month, when the Financial Assistant checks the ODE website for receipts, project cash request payments are included on the reports. The ODE website has a “Details” button that can be clicked for each payment that provides detailed receipt information for that specific ODE payment. By reviewing the detailed information, the Financial Assistant can identify the grant. The Financial Assistant prints the web page showing the project cash request, compares it to the transfer activity per the bank to verify that the money was received, writes a receipt for the grant proceeds, and staples the printed system receipt to the printout of the project cash request.

Prior to each month being closed, the Treasurer reviews a report of all of the system receipts for the month to check that amounts are correct and posted to the proper account. The Treasurer signs the report and files it with the bank statements for the month.

#### **Auditor of State Comments**

- The School District does not have written procedures for the receipt and recording of revenues. Documented procedures for the receipt and recording of revenues should be prepared and given to all departments involved for the receipt and processing of revenues.
- Amounts received from students through the MySchoolBucks system are posted in a monthly lump sum amount one month in arrears. Grant and MySchoolBucks receipts should be posted at least on a bi-weekly basis.
- Athletic event drawers are not counted on-site but are counted the next day and are not counted by the ticket seller. The drawers should be counted on-site in the presence of the ticket seller to ensure proper controls to prevent theft.

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### Purchasing Process

#### Description of an Effective Method for Purchasing

The process of purchasing goods or services should ensure that each transaction is properly authorized, documented, and recorded. 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: Pursuant to Revised Code Section 5705.41(D), each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the political 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 political subdivision's fiscal officer. Additionally, the political subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond fiscal year-end in an amount established by the Board. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring items or for unanticipated emergencies.

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

Purchases that may be made through the use of a super blanket certificate are the services of an accountant, architect, attorney at law, physician, professional engineer, construction project manager, consultant, surveyor, or appraiser by or on behalf of the political 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.

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Major Contracts: Section 5705.412, Revised Code, provides definitions for qualifying contracts and states that no school district shall make any qualifying contract or increase any wage or salary schedule unless there is a signed certificate attached thereto that the school district has sufficient revenue to enable the school district to both pay the contract and maintain all personnel and programs for a specified number of days. A certificate attached to any qualifying contract shall cover the term of the contract; a certificate attached to a wage or salary schedule shall cover the term of the schedule. The certificate shall be signed by the Treasurer, and president of the Board and the Superintendent of the school district, unless the school district is in a state of fiscal emergency, in which case the certificate shall be signed by a member of the school 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 \$50,000 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 9.231(A)(1), Revised Code, provides that a governmental entity shall not disburse money totaling \$25,000 or more to any person for the provision of services for the primary benefit of individuals or the public and not for the primary benefit of a governmental entity or the employees of a governmental entity, unless the contracting authority of the governmental entity first enters into a written contract with the person that is signed by the person or by an officer or agent of the person authorized to legally bind the person and that embodies all of the requirements and conditions set forth in Sections 9.23 to 9.236 of the Revised Code. If the disbursement of money occurs over the course of a governmental entity's fiscal year, rather than in a lump sum, the contracting authority of the governmental entity shall enter into the written contract with the person at the point during the governmental entity's fiscal year that at least \$75,000 has been disbursed by the governmental entity to the person. Thereafter, the contracting authority of the governmental entity shall enter into the written contract with the person at the beginning of the governmental entity's fiscal year, if, during the immediately preceding fiscal year, the governmental entity disbursed to that person an aggregate amount totaling at least \$75,000.

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Findings for Recovery Database: Ohio Law (ORC section 9.24) prohibits any State agency or political subdivision from awarding a contract as described in division (G)(1) of this section 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. Division (G)(1) states that this section applies only to contracts for goods, services, or construction that satisfy either of the following criteria: (a) the cost for the goods, services, or construction provided under the contract is estimated to exceed \$25,000 or (b) the aggregate cost for the goods, services, or construction provided under multiple contracts entered into by the particular State agency and a single person or the particular political subdivision and a single person within the fiscal year preceding the fiscal year within which a contract is being entered into by that same State agency and the same single person or the same political subdivision and the same single person, exceeded \$25,000.

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 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 statements has been so incorporated as a part thereof.

Financial Planning and Supervision Commission - Under Section 3316.07, 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.

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

#### **School District's Purchasing Process**

The Board has adopted formal policies for the purchasing process. The policies address procedures for receiving quotations and bids, soliciting and awarding bids, issuing "Then and Now" purchase orders and issuing blanket and super blanket purchase orders.

When goods or services are needed at a school building, a requisition form is accessed electronically by the Building Secretary. The Building Secretary fills out the requisition form and submits it through the USAS system. The requisition includes the date of request, the vendor name and number, the description and quantity of items requested, the price and any shipping costs, the appropriate account codes to be charged, and

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a two letter code signifying who the requisition should go to for approval. The requisition is automatically assigned an alphanumeric requisition number in the system. The requisition number is comprised of the user's first and last initials, followed by six digits which are numbered in sequential order. Once the requisition is submitted electronically in USAS, the Building Secretary logs into the RAM system through the School District's website to complete the submission process. In RAM, the Building Secretary can search for the requisition number or select it from a drop-down list of requisitions in the approval queue. From here, price quotes must be attached to the requisition in PDF form. Per the Treasurer Guidelines, requisitions for amounts up to \$1,000 require one quote. Two quotes are required for requisitions over \$1,000 up to \$3,000. Requisitions over \$3,000 require three quotes. After the quotes have been attached, the requisitions are ready to be approved.

There are several levels of review each requisition must pass. The first is the Principal of the building the requisition is submitted from, followed by the administrator of the department the requisition pertains to. It then gets approved by the Superintendent before going to the Treasurer. The Treasurer gives the requisition final approval by entering it on the purchase order spreadsheet that is maintained on the School District's Google Docs account. Before approving the requisition, the Treasurer checks the appropriated budget to ensure that money is available and appropriated for the purchase.

Once final approval has gone through, the Accounting Assistant will be notified the following day by an email from the system. At this time, the Accounting Assistant turns the approved requisitions into purchase orders in the system and notes the date this was done in the purchase order spreadsheet. At this time, the system automatically records the purchase order as an encumbrance. Once the purchase order has been created in the system, the Accounting Assistant prints three copies of the purchase order. The blue copy is kept in the Treasurer's office and filed, while beige and white copies are sent by interoffice mail to the building where the requisition originated. At this point the employee who initiated the requisition process is notified by email that they are clear to purchase the good or service.

A copy is made of the white copy of the purchase order by the building or department. One copy is sent to the vendor and the other copy is kept by the building or department for their records.

Active vendors are maintained in the system. The Treasurer, Financial Assistant, and the Accounting Assistant are the only individuals who can add new vendors to the system while the system automatically assigns the vendor a number. When a request is made to add a new vendor, a W-9 is filled out and obtained from the vendor. Hard copies of vendor W-9's are filed in the Financial Assistant's office. The Accounting Assistant does a search on the Auditor of State Findings for Recovery Database for all new vendors to ensure there are no findings against them. The results of the search are printed and stored in the Treasurer's office.

The Ohio Department of Education Fiscal Consultant must also approve purchase orders since the School District is in fiscal emergency. The Fiscal Consultant is included in the requisition approval process and receives emails each day listing requisitions in their queue. If a purchase order is more than \$5,000 from the general fund, it must be approved by the Financial Planning and Supervision Commission.

If a requisition is entered for an amount which exceeds appropriations, the computer system gives a warning but still allows the Building Secretary to submit the requisition. The requisition can either be denied in the approval process or other action can be taken, such as correcting the fund and function charged or by increasing appropriations.

The School District purchases goods and services with blanket and super blanket purchase orders as needed. For the School District, such purchase orders are used in areas such as food service, utilities, custodial supplies, and transportation. Expenditures made against blanket purchase orders are tracked in the system.



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The system also shows the remaining encumbrance and the total amount paid to date. If remaining funds on a blanket purchase order are not sufficient to cover an invoice, the Treasurer creates a “Then and Now” purchase order before paying the invoice. The Board authorizes “open” purchase orders to be issued for generic supplies for up to three months and up to the \$5,000 limit. Open purchase orders will not extend beyond the current fiscal year.

“Then and Now” purchase orders are prepared for purchases without prior approval. The employee responsible for the order is notified and requested to process a requisition or take responsibility to pay for the purchase. Usually the Building Secretary creates the requisition. Upon approval of the requisition, a “Then and Now” purchase order is created for the invoice and approved by the Treasurer. However, the use of “Then and Now” purchase orders are only approved if the purchase was necessary and appropriations were available at the time of purchase then and are available now, and the Treasurer indicates approval by initialing and dating the purchase order and writing “Then and Now”. If not, the amount is not approved and the employee who initiated the purchase is responsible for the payment. Board policy is not clear about the disciplinary process related to unauthorized purchases. “Then and Now” purchase orders are typically used only on occasion for situations in which immediate maintenance or repairs are needed. Any “Then and Now” certificates in excess of \$3,000 must be brought before the Board for approval.

Open purchase orders are reviewed continuously throughout the year using the Google Docs purchase order spreadsheet to determine whether a purchase order should be closed or whether invoices still exist against the purchase order. As the fiscal year-end nears, the Treasurer checks with the people who initiated requisitions about open purchase orders that they may not need anymore. Any unneeded purchase orders are closed along with the corresponding encumbrances. 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.

Contracts which exceed \$50,000 are given to the Treasurer to make the necessary arrangements for public bidding. In many cases, the Treasurer is able to work with one of several purchasing organizations the School District is a part of who may have already bid out the good or services needed, in which case the School District does not need to advertise for bids. In the event that this is not an option, the Board authorizes the School District to advertise for bids. The School District follows the best practices guidelines as set forth by the Ohio School Boards Association (OSBA) for competitive bidding. First, the Treasurer works internally with the Superintendent, Board, and other administrative heads to determine what is needed. These discussions also involve setting a date for the bid opening. The Treasurer puts a legal notice in the newspaper as well as online and in email distribution channels advertising the bid opportunity. Interested vendors can contact the Treasurer for information about a contract that is up for bid. Bids are received by a set date for a bid opening. The Treasurer prepares a bid tabulation sheet in advance based on the interested vendors who contacted the Treasurer for information. The bids are opened and the vendors and bid amounts are recorded. The Treasurer and the Superintendent and anyone else who is working closely with the contract review and discuss the information. The Treasurer, Superintendent, and Board all work together to determine the lowest responsible option. The Board, by resolution, awards the contract. The Treasurer notifies by phone call the vendor was awarded the contract and mails back the signed contract. Vendors who are not awarded the contract are notified by phone call or by email. The Treasurer performs a search of the Findings for Recovery Database for all contracts that are bid out. Contracts are reviewed and signed by the Treasurer.

#### **Auditor of State Comments**

- The School District’s policy does not address the consequences for submitting an invoice without a purchase order that does not get approved as a “Then and Now.” The School District’s policy should be updated to clearly outline the consequences for submitting an invoice without an associated purchase order.

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#### Cash Disbursements

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

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

##### Statutory Requirements

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

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

No Certification - If no certificate of available funds was furnished as required, upon receipt by the Board of a certificate of the Treasurer stating that there was at the time of the making of such contract or order and at the time of the execution of such certificate a sufficient sum appropriated for the purpose of such contract and in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrances, the Board may authorize the drawing of a warrant in payment of amounts due upon such contract, but such resolution shall be passed within thirty days from the receipt of such certificate; provided that, if the amount involved is less than \$3,000, the Treasurer may authorize it to be paid without such affirmation of the Board if such expenditure is otherwise valid.

Section 3313.18, Revised Code, states that "...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."

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#### 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. The local office should also attach supporting documentation to the voucher, such as vendor invoices.”

#### School District’s Cash Disbursement Process

The Board has adopted formal policies for the cash disbursement process.

Invoices are generally received by the Treasurer’s office. When the goods or services have been received, the Building Secretary who receives the shipment of goods verifies the contents against the purchase order and packing slip. If not all goods are received or incorrect items are received, the employee contacts the vendor to resolve the issue, and notifies the Accounting Assistant that the return purchase order will be delayed and is not yet ready for payment. Once this verification is completed, the Building Secretary signs the beige copy of the purchase order, which is sent to the Accounting Assistant with the packing slip. In some instances, the verification will also be completed by the relevant department administrator, who will then also sign the beige copy of the purchase order. Upon receipt of this beige copy of the purchase order, the Accounting Assistant indicates that the purchase order is okay to pay by marking that the signed beige purchase order and invoice have been received in the Google Docs purchasing spreadsheet. The Accounting Assistant then attaches it to the corresponding requisition and blue copy of the purchase order.

If no purchase order exists for an invoice or if the invoice date is before the purchase order date, the Assistant Treasurer tries to determine the origin of the purchase and find out why the proper channels were not followed. Once an explanation has been obtained, the invoice is set aside until a “Then and Now” purchase order is approved. The Treasurer reviews and approves the “Then and Now” purchase orders prior to the processing of checks.

For shipments received at the Administrative Office, the contents of the shipment are verified by the intended recipient and stamped “ok to pay” with the date and initials of the individual on the purchase order. The beige purchase order is then given to the Accounting Assistant, who then follows the same procedure as for other purchase orders.

If the purchase order was for a membership renewal or other item that would not be physically received, in some instances, a Building Secretary will notify the Accounting Assistant that an invoice is available on the RAM system and is okay to pay.

Before conducting a check run, the Accounting Assistant checks the status of any invoices that still need a beige copy of the purchase order indicating receipt. The Accounting Assistant contacts the Building Secretary that submitted the requisition to find out why it hasn’t been received. If the Building Secretary indicates that it is okay to pay the invoice, the beige purchase order is signed and sent to the Accounting Assistant.

Once the Accounting Assistant has received the beige copy of the purchase order and invoice, these documents are placed on the Accounting Assistant’s desk with the blue copy of the purchase order and requisition to be paid at the next check run.

## Coventry Local School District – Summit County

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Typically, payment is not made on an order until all goods have been received. Once the remainder of the order is received, the receiving order is sent to the Assistant Treasurer who compares it to the invoice. In some instances, a partial payment will be made if all the goods are not received at the same time. Usually this is for blanket purchase orders. In this case, the Accounting Assistant usually obtains a replacement invoice that includes only the items ready to be paid.

The Accounting Assistant enters the data that creates a voucher into the Accounts Payable Entry (APE) system by entering the invoice number, purchase order number, invoice date, and payment date. Once all of the payments have been entered as a voucher for the check run, an invoice list is printed. The Accounting Assistant then checks the printed invoice list against the purchase orders to verify the amounts. At this point, the Treasurer also reviews the invoice list for accuracy. Once the Treasurer has approved the invoice list, the Accounting Assistant runs the CKPROC function in the Reflections system in order to print the checks.

Checks are normally printed once every week. The blank check stock paper is kept near the printer in the Accounting Assistant's office. The check stock paper is completely blank and does not contain the school name, account number, check number or any other information. This information is printed on the check through the check printing process. The checks are electronically signed with the Treasurer's name. The Reflections software is password protected and requires frequent logins; the Treasurer, Financial Assistant, and Accounting Assistant have access to the check printing program, however the Accounting Assistant is the only one who regularly conducts payables check runs. For each check run, the Treasurer reviews the invoice listing all checks paid and indicates approval by dating the relevant column in the Google Docs purchase order spreadsheet. After the Treasurer's review of the checks, the Assistant Treasurer mails them.

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

1. The original copy of the check is sent to the vendor for payment.
2. The pink copy of the check is attached to the voucher packet and filed in the Accounting Assistant's office. (If it is only a partial payment on a purchase order, the invoice and copy of the check and purchase order are stapled together and filed, but the original purchase order is returned to the stack of active purchase orders.)

There are some payments that are made through ACH transactions. The process for these is the same as for other payments, except that a memo check is created in the system instead of a printed check.

At the end of each month, the Treasurer prints a list of all checks paid in the month (CHEKPY report). This is included in the financial packet emailed to the Board and is approved by the Board at the following month's meeting. The Board policy for the payment of claims deals with the prompt payment of legitimate claims and proper verification of vouchers prior to the payment of invoices.

The voucher packet includes the requisition, blue and beige copies of the purchase order, the pink copy of the check, and the invoice. All voucher packets are kept in a filing drawer in the Accounting Assistant's office and are filed by check number.

In order to void a check, the Accounting Assistant runs the software program to void the check number. If the check had a mistake, it must be voided and replaced with a new check number. If voiding a check that has not yet been sent out or a the check that has been returned to the Treasurer's Department, the Accounting Assistant writes "VOID" on the check and cuts out the signature block. If the physical check is not at the Treasurer's Department, the Financial Assistant calls the bank to stop payment on the check. The Accounting Assistant writes on the voided check an explanation as to why the check was voided in many cases when a specific reason is available. In the event of a mistake causing a check to be voided and replaced, the new

## Coventry Local School District – Summit County

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check and the old voided check are given to the Treasurer to look over as part of the Treasurer's regular approval process. The voided check is attached to the voucher packet and filed in the Assistant Treasurer's office in a separate folder just for voided checks.

#### **Auditor of State Comments**

None.

# Coventry Local School District – Summit County

## Financial Accounting Report

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### Payroll Processing

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

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

#### Statutory Requirements

The following State statutes apply:

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

Chapter 3307, Revised Code, for the State Teachers Retirement System (STRS) and Chapter 3309, 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 State Foundation program to annually adopt a salary schedule for nonteaching school employees and a salary schedule for teachers.

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

Section 3319.12, Revised Code, requires each Board to give notice annually, not later than the first day of July, to each teacher who holds a contract valid for the succeeding fiscal year, of the salary to be paid during that year. The salary shall not be lower than the salary paid during the preceding fiscal year unless such reduction is part of a uniform plan affecting the entire school 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 following additional code sections provide authority for appointment and compensation of officials and employees of a school district. Section 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

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### Financial Accounting Report

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Code, for appointment and duties of the superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other school administrators; and Section 3319.08, Revised Code, for teacher employment and reemployment contracts; and Section 3319.10, Revised Code, for employment and status of substitute teachers.

#### **School District's Payroll Process**

The Board has adopted formal policies as set by the Ohio School Boards Association (OSBA) for the payroll process regarding Board authorization for each person hired (including the position title, the compensation to be paid, and the effective date of employment) and payroll deductions. The employment of all School District personnel must be approved by the Board. Deductions are made from an employee's paycheck upon proper authorization on the appropriate form.

Certified position applicants typically send in a resume at the beginning of the hiring process. The Principals have the first level of interviewing and the Superintendent makes the final decision on hiring. General applications received in case of job openings are filed by the administrator that oversees the department applied for in their respective offices. Recommendations for employment are made to the Board by the Superintendent and are recorded in the minutes. Copies of employee records, such as transcripts, licenses, resumes, and evaluations, are kept in personnel files in the Superintendent's Office. Financial information such as bank information, W-4s and insurance information are stored in the Financial Assistant's office. Forms are filed alphabetically by employee name.

All full and part-time employees are compensated bi-weekly, except Board members, who are compensated monthly. There are 250 full-time and part-time employees within the School District. The School District's pay periods run from Sunday through Saturday 14 days later, and are paid on the Friday following the close of the pay period. Any overtime or extra time earned during the pay period is paid with the regular pay.

In addition to their normal pay, employees may receive additional amounts along with their regular compensation for supplemental contracts or extra time for tutoring or detention. Cell phone reimbursements for administrators are paid semi-annually, and mileage reimbursements are paid monthly. Direct deposit is required for all full-time and part-time employees of the School District. Direct deposit is also required for all substitutes and others who are paid by the School District. Employees receive a pay stub as a PDF through email on the Thursday before payday 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.

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

**Administrators:** Administrators include the Superintendent, Treasurer, Directors, Principals, and Assistant Principals. Individual administrative contracts are prepared based upon contract provisions approved by the Board. The contract provisions establish the annual rate of pay, annual vacation days and personal days to be credited, the accrual of sick days, insurance benefits, and job duties and expectations for each employee. The contracts are reviewed and approved by the Board. The contracts for the Superintendent and the Treasurer run from August through July five years later. Contracts for Directors typically run from August through July of the subsequent year. Contracts are paid over twenty-six pays. Contracts are signed by the Board President and the Treasurer and are kept on file in the Financial Assistant's office.

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### Financial Accounting Report

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Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Board and the Coventry Education Association. The contract was valid through July 31, 2016. In November of 2016, the Board and the Coventry Education Association entered into a Memorandum of Agreement that was in effect through June 30, 2017. The Memorandum of Agreement allowed for the continuation of the 2013-2016 negotiated agreement. Currently, the District is operating under the expired contract while negotiations are underway. 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 to be credited and sick leave accrual amounts for certified employees. Certified employees do not earn vacation. Per the negotiated agreement, all certified employees are paid over twenty-six pay periods.

The Financial Assistant prepares individual teacher contracts. Full-time certified staff receive limited contracts of one year until certain conditions are met. Once the conditions are met, they go on continuing contract. Individual teacher contracts are approved by the Board before the Financial Assistant distributes them to employees, usually in July or August for continuing. If an employee disagrees with the contract amount, that employee can contact the Financial Assistant to resolve the issue. The employee receives the contract via email. One copy is to be printed, signed by the employee, and returned to the Board Office. The contract is also signed by the Board President and the Treasurer, and the contract is kept on file in the Financial Assistant's office. The Financial Assistant distributes salary notices around the beginning of July for all certified employees except those newly hired over the summer. The Financial Assistant prepares payroll calculations for new contracts and enters new contract amounts into the payroll system.

For any change that results in a pay schedule adjustment, the teacher is required to notify the Superintendent in writing so contract changes can be processed. Employees must provide their original transcripts to support the change to have their pay scale adjusted only at the beginning of the school year and at the beginning of the second semester. After receiving support for the pay schedule adjustment, the Superintendent verifies whether the employee meets all qualifications and presents the change to the Board for approval. Once the pay schedule adjustment is approved, the Financial Assistant provides a written notice to the employee of the new salary and bi-weekly pay and places a copy of the notice in the personnel file. The Financial Assistant updates the employee's contract amount in the payroll system.

Classified Employees: Salaries and benefits for custodians, bus drivers, cafeteria workers, secretaries, aides, and central office employees are governed by a negotiated agreement between the Board and the Ohio Association of Public School Employees (OAPSE). The contract was valid through June 30, 2015. The Board and OAPSE have continued to operate under the agreement while a new contract is negotiated.

The salary schedule sets forth the hourly rates for classified positions. The negotiated agreement sets forth the vacation and sick leave accrual amounts, and the amount of personal leave to be credited annually. Employees are considered full time if they work thirty or more hours per week. All classified employees are paid over twenty-six pay periods.

Classified employees receive salary notices each year. They also receive an individual contract when hired. Salary notices are prepared by the Financial Assistant and are distributed to employees around the beginning of July. If employees disagree with the amount on the salary notice, they can contact the Financial Assistant to resolve the issue. The Financial Assistant updates the employees' salaries in the payroll system.

The annual salary amount is spread over twenty-six pays for classified employees. Timesheets are prepared for all employees. Each timesheet includes the employee's name, and the hours worked each day in the pay period. The timesheets also include space to report any leave time used. The timesheets are signed by the supervisor or Principal to indicate approval. The timesheets and any related leave forms are sent to the Financial Assistant at the end of each pay period.



## Coventry Local School District – Summit County

### Financial Accounting Report

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Cell phone reimbursements are treated as a stipend. The Board approves certain administrators to receive stipends for cell phone usage each month. The amount of the stipend depends on the administrative position. The administrator receiving a reimbursement must provide the Accounting Assistant with a copy of their monthly cell phone bill. Mileage reimbursements are done monthly. Employees fill out a reimbursement form that includes the month being reimbursed, the employee's name, descriptions of trips for which reimbursement is requested on the appropriate date line, the number of miles traveled for each trip, and employee and supervisor signatures.

Overtime: Overtime earned is paid with the payroll following the pay period in which it was earned. Overtime is paid at a rate of one and a half times the employee's regular rate. All overtime is recorded on timesheets. All overtime has to be approved by the employee's supervisor each pay period. Overtime is earned by various employees, including custodians for cleanup during and after sporting events, and bus drivers for field trips.

Extra time earned, such as when a cook works more hours than regularly scheduled because another cook is absent or when bus drivers cover an extra route, is recorded on timesheets. This is approved by the supervisor.

Board Members: The Treasurer takes roll call at every Board meeting and the board members in attendance are recorded in the minutes. The Financial Assistant has a memo set up for Board payroll. After each meeting, the Treasurer provides the Financial Assistant with the memo, which shows the attendance for the regular meeting. Board members are paid monthly at a rate of \$125 per regular meeting. Board members are not paid for special meetings.

Supplemental: The Financial Assistant is responsible for preparing supplemental contracts. These contracts are issued as the Treasurer receives the assignments for each supplemental position. The Board approves the supplemental contracts before they are distributed to employees. Most supplemental contracts are paid in a lump sum at the completion of the duties outlined by the contract. The Financial Assistant uses a spreadsheet to track supplemental contracts and payments.

Substitutes: The School District uses the Aesop system for obtaining substitutes. Teachers are required to log onto the Aesop system to request a substitute. Substitutes take jobs from the Aesop system as the jobs are posted. The Administrative Assistant for Facilities, Technology, and Curriculum checks the Aesop system each morning to see which teachers are taking leave and to check what postings have been made and whether substitutes have been found. If any jobs posted to Aesop remain unfilled, the Administrative Assistant for Facilities, Technology, and Curriculum will make calls in an attempt to get the spot filled. There are payroll packets that substitutes must fill out available at each building. This packet includes an employee information form, W-4, State and local tax withholding forms, direct deposit request, notice that the position does not pay into Social Security, employment eligibility certification, and receipt of the Ohio Ethics Law. A report is printed from the Aesop system showing which employees were absent and who took their place before payroll is processed. The substitute pay rate has been set by the Board and is used for all substitutes; Board approval is necessary for any changes to the rate. Substitutes are paid on the pay date following the pay period in which they worked.

Withholdings: An application form and new employee packet are given to new employees with various documents that are to be completed, signed, and returned to the Financial Assistant. The new hire packet includes a payroll information form, direct deposit authorization form and various tax and retirement forms. The Financial Assistant enters the payroll information into the system. If employees need to change any of the information on these forms they can obtain the appropriate form from the Financial Assistant. Withholding and various deduction forms are maintained in the Financial Assistant's office. Federal and

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State employee withholding deductions are submitted electronically through their respective online systems. The Financial Assistant calls the Internal Revenue Service (IRS) to authorize the payment of federal taxes and Medicare withheld, which are due three days after the payroll date. State and municipal taxes withheld are paid monthly electronically through Ohio Business Gateway.

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

Leave: Vacation and personal leave is credited as indicated in the certified or classified staff negotiated agreement or in each administrator's contract. All full-time employees receive fifteen sick days for each fiscal year, accrued on a monthly basis. Vacation, personal, and sick leave usage is posted in the payroll system by the Financial Assistant every payroll according to the amount of time recorded on the appropriate leave forms. The system updates the balances automatically.

Vacation or personal leave is approved in advance. Employees may request personal leave by filling out and signing a Personal Leave Request. Employees can request vacation leave by filling out the Employee Absence Statement, including the employee's name, social security number, building, position and date of absence, along with a short questionnaire. The Administrative Assistant of Facilities, Technology, and Curriculum has a list of individuals she calls to fill in for classified employees once vacation has been approved. All forms are approved by the supervisor/school Principal and the Superintendent. Personal Leave Requests and Employee Absence Statements requesting vacation are approved by the Superintendent. Employee Absence Statements are sent to the Financial Assistant for processing.

Sick leave is not required to be requested in advance. Certified employees use the Aesop system to report off sick, while classified employees call the Administrative Assistant Facilities, Technology, and Curriculum. The employee must later fill out an Employee Absence Statement; the form is approved and signed by the supervisor/school Principal. When a school Principal takes leave, the Superintendent signs the Absent/Leave Form. The forms are sent to the Financial Assistant for payroll processing.

Severance: The School District pays severance upon retirement to qualifying employees. Payments for certified employees are calculated as 25 percent of the first 160 sick days of sick balance, and 50 percent of days 200 through 285. Classified employees are calculated as 25 percent of the first 160 days of sick balance, and 50 percent of days 200 through 300. The Financial Assistant prepares a spreadsheet with the calculation of the severance payment and the account code to be charged. The Treasurer initials and dates the printed spreadsheet and gives it to the Financial Assistant for payroll processing.

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

After each pay, the Financial Assistant prints the SERS retirement report (SERSREG). If it is the first pay of the month, the SERSREG numbers of service days are matched to the Pay Amount Summary report (PAYSUM), and the SERSREG is filed in the Financial Assistant's office. If it is the second pay of the month, the month to date SERSREG is compared to the SERSREG from the first pay of the month, and the difference is matched to the PAYSUM report for the second pay. The Financial Assistant adds the SERS deduction check amount and the amount of Board pick-up for SERS and matches this total to the total on the bottom of the SERSREG. Next, a tape file is created and printed, and the tape file number is written on the printout. The tape file is filed for payment after the second pay of the month. The Financial Assistant submits the tape file to SERS through State software and schedules the electronic payment on the SERS website.

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### Financial Accounting Report

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STRS retirement (STRSREG) reports are run after each pay. The numbers of service days are matched to the PAYSUM report. Once the numbers of service days are verified, the STRS deduction check amount is added to the amount of the Board pick-up for STRS, and the total is matched to the total on the STRSREG report. Then the STRSREG report is run again to create a tape file. The report is printed and the tape file number is written on the report. The Financial Assistant submits the tape file to STRS through State software and sends an ACH via online banking.

Other Employee Benefits: The School District is insured for health insurance and provides health, dental, and vision insurance benefits to all full-time employees through the Stark County Council of Governments. The employee share of costs for single and family participation in the program is 15 percent of the premiums. Health coverage is administered through Aultcare and Medical Mutual. Dental coverage and vision coverage are administered through Medical Mutual.

Life insurance benefits are provided through Consumer Life Insurance Company. The Board provides all full-time certified employees with term life insurance equal to \$10,000 plus the employee's yearly salary. The Board also provides administrators with term life insurance equal to three times their yearly salary. The Board provides the remaining classified staff with term life insurance of \$20,000.

Payroll Deductions: Payroll deductions for medical, prescription, dental, and vision insurance benefits are processed through the payroll system and then used as part of the payment to the insurance companies.

The Financial Assistant prints deduction checks for insurances. At the beginning of the month, the Financial Assistant prepares purchase orders for the Board portion for each of the insurances. A spreadsheet is maintained on the Financial Assistant's computer for all insurances so that the Financial Assistant knows how much the purchase order should be. Once the deduction checks are received after the second pay and the invoice is received from the insurance companies, the Financial Assistant verifies that the purchase order amount plus the deduction check matches the total on the invoice. Discrepancies, typically due to timing differences and changes in employee coverage, are investigated and resolved.

For medical and prescription insurance, the Financial Assistant reconciles and posts the Board portion as a memo check. The deduction check is deposited into the general bank account and the total amount of the Board and employee portions is wired from the general bank account.

After verifying that purchase orders and deduction checks match the corresponding invoices for dental, vision, and life insurance, the Financial Assistant authorizes payment. The Financial Assistant processes checks for the Board portions and submits them along with the corresponding deduction checks to pay the insurance invoices.

Payroll Preparation: Access to the payroll system is password protected. The Treasurer contacts NEOnet to grant access to the system after receiving a completed authorization form. The Treasurer, Financial Assistant, and the Accounting Assistant have full access to the payroll system. The EMIS Coordinator and the Special Services Secretary have read-only access.

The Financial 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.

The Financial Assistant maintains a spreadsheet that tracks the total base (contract) pay for each payroll. The Financial Assistant makes any needed change on the spreadsheet and in the payroll system. The Financial Assistant is responsible for both processing payroll as well as making rate adjustments and changes to the employee master file.

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### Financial Accounting Report

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At the start of the payroll process, the Financial Assistant manually enters all irregular payroll information into the system. This includes substitutes from the printed Aesop system report for each day in the period, extra time on timesheets, supplemental contract payouts, and any other payment requests. Employees who are not tied to a specific calendar of days worked also have to be entered manually. Any leave time that the timesheets report as used is also entered in the system.

Each building secretary sends timesheets, substitute sign-in sheets, and the signed Employee Absence Statement forms to the Financial Assistant when the pay period ends. If the Employee Absence Statement form has not yet been signed by the School Principal, the Financial Assistant returns the form to be signed. The timesheets and leave forms detail absences, substitutes, and any other factors that would affect the normal pay of an employee.

Once any necessary changes have been made to contracts and non-contract information has been entered into the system, the Initial Calculation (INICAL) report is created. The Financial Assistant checks the INICAL for any error messages and matches the total from this report to the total on the spreadsheet. Any discrepancies are investigated and resolved. Next, the Financial Assistant runs the CALCPAY. This function generates the pay and deduction reports that will be run in following steps. During this step, a CALCERR report is generated if the system detects any errors in the information. Once any discrepancies are cleared up, the CALCPAY is run again.

The Calculate Payroll program generates six reports, the Error Summary Report (CALCERR), the Payroll Report (PAYRPT), the Projected Payroll Account Distribution Summary (BUDPRO), the Projected Payroll Account Distribution Detail (BUDDET), the Deduction Totals (DEDTOT), and the Deduction Detail (DEDDET). Once any errors are corrected, the PAYRPT, which details the gross payroll and deductions by individual and pay group, is printed and checked against the timesheets and other payroll information. A PAYSUM report is run in conjunction with the PAYRPT and verified against the Financial Assistant's spreadsheet. The BUDPRO details the gross payroll by budget account. The BUDDET details the gross amounts paid to each employee by budget accounts. This report is checked by the Financial Assistant to ensure that employees were paid out of the correct accounts. The DEDTOT lists all employee payroll deductions including STRS and SERS deductions, as well as the Board share for SERS, STRS, Medicare, and employee insurance. The Financial Assistant prints this report and checks for any obvious problems with deductions and verifies that the Medicare employee deductions total matches the Board share for Medicare. The DEDDET is also printed and lists the same information as the DEDTOT, broken down by employee for each deduction type.

Next, the Financial Assistant runs the Current Leave Usage and Balances report that shows sick, vacation, and personal leave usage for the payroll period and the remaining balances for each employee that used leave in the payroll period. This report is checked against the printed table tracking absences.

The check print (CHKPRT) is run next; this sets up the checks and direct deposits. The Financial Assistant verifies the starting numbers for direct deposits and writes these beginning numbers and the ending numbers on the checklist. Once this has been done, the BACKUP\_PAY function is run which performs a backup of the payroll files with NEOnet. Once this step has been performed, no more changes can be made to the payroll information.

Next, the check upload (CHKUPD) is run. The Financial Assistant indicates the next budgetary check number in the system and writes it down on the checklist. Then the Payroll Account Distribution Summary (BUDDIS) report is printed. The BUDDIS report shows the accounts the payroll came from, the total amount of the payroll, and the date of the payroll. The last page has the Treasurer's certification, which is signed by the Treasurer once the BUDDIS has been checked against the Financial Assistant's payroll spreadsheet.

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### Financial Accounting Report

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The Direct Deposit Tape Listing (PAYDIR) is then run, and the report that shows direct deposits for the payroll is printed. The PAYDIR file is uploaded to the bank online through First Merit e-Connect. Once uploaded, the Financial Assistant verifies the pay date and total amount are correct.

To post payroll, the Financial Assistant runs the AUTOPOST and selects validation to ensure no errors (this will generate an ERROR\_PAYROLL report if there are any errors). The Financial Assistant verifies that the only errors are acceptable (such as grant funds showing negative balances) and posts to the system, which assigns a purchase order number. The purchase order number is written on the payroll checklist. The AUTOPOST program automatically posts the payroll and Board distribution information to the accounts from which the employees are charged within the payroll system and the budgetary system. The Automatic USAS Posting Summary (AUTOPOST) reports for payroll and for the Board distribution are printed.

The next step is to create the Board Distribution report. The memo checks for Board-paid benefits are automatically calculated. The Financial Assistant then runs the Paid Deduction Checks Listing (PAYDED), the Deductions Summary (DEDSUM), and the Deduction Report (DEDRPT). All three reports are printed and checked for accuracy. The memo checks are verified against the DEDSUM.

At this point, the deduction checks are printed using PAYFORM for those that are not paid electronically. New Hire Reports NEWHIRE and NEWFORM are then printed if there were new employees on the payroll to check that everything was successfully entered into the system.

IRS W-2 forms are processed in January of the new calendar year. The Financial Assistant sends a file to NEOnet, where the W-2's are printed. The School District picks up the W-2's and distributes them to the appropriate buildings or mails them to part-time or past employees around the middle of January. All W-2 information is submitted electronically to the IRS through NEOnet.

#### **Auditor of State Comments**

- The employee who processes payroll has access to and is responsible for making rate adjustment and changes to the employee master file. An employee who does not process payroll should make rate adjustments and changes to the employee master file.

# Coventry Local School District – Summit 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. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the principal amount, the maturity, interest rate, and the source of revenue to be used for repayment. Debt instruments should be signed by the president or vice president of the Board and the Treasurer. Debt proceeds should be receipted into a separate fund when appropriate and used only for the purpose specified in the authorizing resolution. Money to be used for debt payment may be receipted in a separate fund created specifically for debt retirement. Care should be taken to ensure the timely payment of both principal and interest.

#### Statutory Requirements

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

#### School District's Debt Administration

The Treasurer prepares the data and applications regarding the issuance of debt, upon the Board's initiative and in accordance with the laws of the State of Ohio. Debt issuances are approved by the Board by resolution. The Board resolution identifies the statute which allows for the issuance of the debt, the purpose, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment. Debt issuances are signed by the Treasurer, Superintendent, and Board President.

The Treasurer keeps track of the debt schedules and prepares purchase orders ahead of time in accordance with the debt schedule. When the invoice is received, the Treasurer matches it to the purchase order to ensure that the correct debt payments are made. Debt payments are made by automatic withdrawal, wire transfer, and check. All debt documents and amortization schedules are kept electronically on the School District's shared drive. Any hard copies of debt documents received are kept on file in the Treasurer's office.

The amount of the School District's outstanding debt at June 30, 2017, consists of the following:

<u>Debt Obligation</u>	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2017</u>
2005 Energy Conservation Bond	4.43 %	\$237,425
2007 Modular Units Lease	4.82	918,000
2011 Lease-Purchase Agreement	1.75-5.75	1,090,000
2013 School Improvement Bonds	3.00-5.25	28,298,425
2016 Solvency Assistance Advance	0.00	2,419,000
2017 Lease-Purchase Agreement	3.95	129,347
<i>Total Debt</i>		<u><u>\$33,092,197</u></u>

The 2005 Energy Conservation Bond was issued for the purpose of making energy improvements to various school buildings in the School District. The loan will mature on June 13, 2020.

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The School District has entered into a 2007 capital lease for modular units and a 2011 lease-purchase agreement for building and property renovations. The interest rates for the leases range between 1.75 and 5.75 percent. The lease for the modular units matures on January 1, 2028, while the lease-purchase agreement is renewable annually and will mature on October 1, 2028.

The 2013 School Improvement Bonds issuance consisted of serial, term, and capital appreciation bonds. The issuance included a premium of \$914,375. The serial bonds mature at varying amounts annually on November 1, beginning in 2015 and ending in 2047. The rates on these bonds range from 3.00 percent to 5.25 percent. The term bonds mature on November 1, 2037, November 1, 2042, and November 1, 2047. The capital appreciation bonds mature November 1, 2027, 2028, 2029, and 2030. These bonds were purchased at a discount at the time of issuance and, at maturity, all compound interest is paid and the bond holder collects the face value. The bonds are being retired through the bond retirement fund.

During fiscal year 2016, the School District received a Solvency Assistance Fund advance from the State of Ohio in the amount of \$4,838,000. The Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that meet one or more of the nine reasons identified in Section 3301-92-03 of the Ohio Administrative Code. The fiscal year 2016 advance will be repaid over two fiscal years, beginning in fiscal year 2017 with State Foundation revenues.

The School District entered into a capital lease in July of 2016 in the amount of \$165,000 for new football stadium lights. The lease includes interest at a rate of 3.95 percent and will mature on August 15, 2020.

#### **Auditor of State Comments**

None.

# Coventry Local School District – Summit County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

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

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

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

#### Statutory Requirements

Section 3313.41(A), Revised Code, requires that, except as provided in divisions (C),(D),(F), and (G) of this section and in Section 3313.412, Revised Code, when a Board decides to dispose of real or personal property that it owns in its corporate capacity, and that exceeds in value \$10,000, it shall sell the property at public auction, after giving at least thirty days' notice of the auction by publication in a newspaper of general circulation or by posting notices in five of the most public places in the school district in which the property, if it is real property, is situated, or, if it is personal property, in the school district of the Board that owns the property. The Board may offer real property for the sale as an entire tract or in parcels. Under division (B), when the Board has offered real or personal property for sale at public auction at least once pursuant to division (A) of this section, and the property has not been sold, the Board may sell it at a private sale. Regardless of how it was offered at public auction, at a private sale, the Board shall, as it considers best, sell real property as an entire tract or in parcels, and personal property in a single lot or in several lots. Real property is a permanent improvement and the proceeds are to be recorded into a permanent improvement fund as required by Section 5705.01 and 5705.10, Revised Code.

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

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

The Board has adopted formal policies regarding capital assets and inventory. The School District's capital asset policy states that the capitalization threshold is \$1,000. Currently, the School District tracks capital assets costing more than \$1,000. Board policy defines capital assets as those tangible assets of the School



## Coventry Local School District – Summit County

### Financial Accounting Report

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District with a useful life in excess of five years, an initial cost equal to or exceeding the capitalization threshold, and which the School District intends to hold or continue to use over an extended period of time. Assets for which accountability is desired that have a value less than the capitalization threshold are tracked by building and room number. A physical inventory is conducted in each room of each building at the beginning and end of the school year to ensure that nothing has gone missing. The classification of capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment, and vehicles. All assets are capitalized at cost, or if not determinable, estimated purchase price or fair market value at the time of acquisition. For all capital assets, the following information shall be maintained: description, asset classification, location, cost, date acquired, estimated useful life, estimated salvage value, replacement cost, accumulated depreciation, and manner of asset disposal. Board policy also requires the School District to conduct a complete inventory by physical count of all Board-owned equipment once every five years. The School District performs this count annually. Board policy does not address the valuation of donated assets, assigning salvage values, and private property that belongs to staff and students of the School District including how such property should be treated. Board policy also does not address the method to be used in tracking capital assets.

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 adequate insurance coverage, permit the preparation of year-end financial statements in accordance with generally accepted accounting principles, and provide control and accountability.

The School District uses State software (EIS) to track capital assets. The information provided in the system includes the asset tag number, asset class, acquisition year, useful life, description of asset, location of asset, original cost and the fund and function from which the asset was purchased. Board policy states that the capital asset listing should be distributed to all buildings and departments. However, this practice is not being followed.

The system calculates annual depreciation on a straight line basis by dividing the original cost by the estimated useful life. The system also tracks accumulated depreciation and remaining book value. Salvage values are not used.

When an invoice is paid for an item that should be capitalized, the Treasurer adds the new asset to the EIS system. The School District does not utilize a separate capital asset acquisition form. A spreadsheet of technology assets is maintained separately by the Technology Department. These assets are also found in the EIS system. The technology spreadsheet includes item names, makes, models, serial numbers, asset tag numbers, room numbers where the items are located, employees using the items, and other miscellaneous notes. This spreadsheet is updated each time an asset is purchased, moved to a different location, or is disposed of.

The School District does not regularly dispose of assets, other than technology related items. When a technology item is recycled or disposed of, the Technology Department removes it from the technology spreadsheet, and completes a Request for Asset Disposal (Transfer) form. This form is used to request approval for the disposal or transfer of an asset. The form includes a description of the item, the location of the asset, the tag number of the asset, the resolution number approving the disposal, and the printed name and signature of the Treasurer. Typically, an administrator will be notified by staff of an asset that needs to be disposed. The administrator will email the Treasurer requesting Board approval for the disposal of the asset. The disposal form is then filled out by the Treasurer. Once the Board approves the disposal, the Treasurer fills out the resolution number of the approval on the disposal form and signs it. A copy of the disposal form is retained by the Treasurer while another copy is sent to the administrator that requested the disposal either in person, via inter-office mail, or by email. The receipt of the form by the administrator serves as notice that the disposal can occur. The Treasurer then removes the asset from the system.

## Coventry Local School District – Summit County

### Financial Accounting Report

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Capital assets are physically tagged and aid in identifying the existence of the asset. The School District performs an annual physical inventory of capital assets. A complete physical inventory was last completed in December of 2016, and additions and deletions are added annually.

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

Board policy requires a physical inventory of supplies be taken at the building level annually at the end of the school year. Board policy does not reflect the method to be used in tracking inventory.

The Head Cook at each school takes a physical count of food service inventory at the close of the school year. The forms filled out in this process are stored in the respective food service offices.

There is no physical inventory of other items such as office or instructional supplies, as the School District typically buys office and instructional supplies as needed and does not keep significant amounts of inventory on hand. For financial reporting purposes, the inventory of supplies is not reported.

#### **Auditor of State Comments**

- There is no Board policy in place that addresses the treatment of items typically purchased in the aggregate. The Board policy for capital assets should be amended to include the proper treatment of items typically purchased in the aggregate.
- The School District's capital asset policy does not include a discussion about their treatment of and responsibility for private property owned by employees. The capital asset policy should be updated to include a discussion of private property owned by employees and the District's treatment of and responsibility for such items.
- The School District's policy should reflect, for both capital assets and materials and supplies inventory, the method to be used for inventorying assets and verifying them.
- The capital asset policy should be expanded to address valuing donated assets, assigning salvage values and addressing private property (items belonging to staff and students). In accordance with GASB Statement No. 34, depreciation expense should be calculated by allocating the net cost of depreciable assets over their estimated useful lives. The net cost of depreciable assets is defined as historical cost less estimated salvage value.
- The capital asset listing is not distributed to each building and department according to School District policy. The Treasurer's office should make sure an updated capital asset listing is sent to each building and department each fiscal year.
- The School District does not have a formal capital asset acquisition form. In order to better track capital asset additions, the School District should develop a capital asset acquisition form as well as update the Board policy to include the use of the form.
- The Treasurer's office does not verify the existence or non-existence of any significant consumable inventory other than food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.

# Coventry Local School District – Summit County

## Financial Accounting Report

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### Cash Management and Investing

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

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

#### Statutory Requirements

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

Section 135.14(O)(1), Revised Code, states, “Except as otherwise provided in divisions (O)(2) and (3) of this section, no Treasurer or governing board shall make an investment or deposit under this section, unless there is on file with the Auditor of State a written investment policy approved by the Treasurer or governing board. The policy shall require that all entities conducting investment business with the Treasurer or governing board shall sign the investment policy of that political 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 political subdivision with the Auditor of State, the Treasurer or governing board of that political subdivision shall invest the political subdivision's interim monies only in interim deposits pursuant to division (B)(3) of this section, or in interim deposits pursuant to Section 135.145 of the Revised Code and approved by the Treasurer of State, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio political 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 political subdivision whose average annual portfolio of investments held pursuant to this section is one hundred thousand dollars or less, provided that the Treasurer or governing board certifies, on a form prescribed by the Auditor of State, that the Treasurer or governing board will comply and is in compliance with the provisions of sections 135.01 to 135.21 of the Revised Code.”

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

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

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

## Coventry Local School District – Summit County

### Financial Accounting Report

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#### **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 Method 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 Assistant Treasurer performs supporting reconciliations for the payroll account and for the Athletic Department account. The School District maintains a general checking account, payroll account, EZ pay account, an LFI account, and Ohio School Facilities Commission state and local share accounts with Huntington bank, a STAR Ohio account, and a scholarship investment account with Wells Fargo. The investment accounts can earn interest.

Most receipts go into the general checking account. The EZ pay account is used for electronic payments for lunches, fees, and fines. The Financial Assistant transfers funds from this account to the general checking account once per month. Checks are written against the general checking account for the daily operations, other than payroll, of the School District. The payroll account automatically draws the needed funds out of the general checking account when direct deposit is submitted.

At the beginning of the month, the Treasurer goes through a checklist of procedures for closing out the preceding month. To identify outstanding checks, the Treasurer maintains a spreadsheet listing of outstanding checks from month to month. To ensure that checks were cashed for the correct amounts, the Treasurer compares the bank statement to the check register for the month. This is done by highlighting the bank statement and cash register. Any discrepancies are investigated and resolved or noted on the reconciliation.

The School District has a Board approved investment policy that is on file with the Auditor of State. However, the policy has not been updated with the current Treasurer's signature. The policy states that the Treasurer is authorized to make investments with available monies from the funds of the School District in securities authorized by State Law. Earnings on investments from the STAR Ohio account are receipted primarily into the Ohio School Facilities Commission fund. Earnings on all other investments are receipted into the general fund each month. Board policy does not address the distribution of interest income, and the Board does not pass a resolution each year stating which funds will receive an allocation of interest. The investments that the School District holds are a STAR Ohio account and a Wells Fargo investment account for scholarships. The Treasurer attends annual trainings on investing offered by the State Treasurer's office.

Petty cash funds are maintained by the Central Office, the high school office, and the elementary school office. The School District has a Board approved policy in place for the use and replenishment of the petty cash funds. All petty cash is kept in a safe, with the Building Secretary, Principals, Assistant Principals, and

## Coventry Local School District – Summit County

### Financial Accounting Report

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Administrators having access. Petty cash funds are maintained throughout the year and replenished whenever they are low on cash. Building Secretaries replenish their petty cash funds periodically as needed. To replenish petty cash, the Building Secretary adds up all of the receipts from purchases made out of the petty cash fund and counts the remaining cash. The total of the receipts and remaining cash should equal the full balance of the petty cash fund. Next, the Building Secretary fills out a requisition and turns in the requisition and the receipts to the Treasurer. The Treasurer posts the expenditures to the appropriate accounts based on the receipts and a purchase order is created. The Treasurer cashes the budgetary check at the bank and returns the cash to the petty cash fund.

The athletic department and each school building's cafeteria all maintain change funds. The School District has a Board approved policy in place for the use of change funds. Change funds are kept in a safe, except cafeteria change funds, which are kept in cash registers. Cafeteria change funds are turned in at the end of the school year and deposited to the bank. The Athletic Department change fund is also deposited at the bank at the end of the school year.

#### **Auditor of State Comments**

- The investment policy on file with the Auditor of State has not been signed by the current Treasurer. The investment policy should be updated and submitted to the Auditor of State Clerk of the Bureau with the current Treasurer's signature.
- The School District does not have a policy for distribution of interest income. A policy should be adopted by the Board detailing which funds should receive an allocation of interest and what the allocation should be.

# Coventry Local School District – Summit County

## Financial Accounting Report

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

The Treasurer should periodically provide the Board with reports setting forth year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the school district. In addition, information concerning estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the Board's review. On an annual basis, the Treasurer should prepare and publish within 150 days of fiscal year-end financial statements prepared in accordance with generally accepted accounting principles (GAAP) and Section 117-2-03(B).

#### Statutory Requirements

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

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

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

The School District uses USAS software from the State of Ohio which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports, including the cash position, revenue account summary, appropriation account summary, and check listing reports, which are kept on file in the Treasurer's Department.

The School District's financial report policy requires the Treasurer to submit a monthly financial report to the Board. This report should include the School District's financial position at the end of the prior month, obligations and expenditures incurred during the prior month and to date by account, and funds received during the prior month and to date by source. During the monthly Board meetings, the Board members receive a financial packet containing a number of reports. These include financial report by fund, month-to-date revenue report, month-to-date expenditure report, a complete listing of all checks written for the month, and the Form SM-2 Annual Spending Plan.

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited GAAP basis financial statements for the fiscal year-ended June 30, 2016, were not filed with the Auditor of State within 150 days of the end of the fiscal year end. 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, 2016, on January 26, 2017. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members and employees via email by the Treasurer.

## Coventry Local School District – Summit County

### Financial Accounting Report

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The School District publishes a notice of the availability of the cash basis financial statements in the local newspaper as well as on their website. Copies of the financial statements are kept at the School District for the public and distributed when requested. All requests of financial information from the public are prepared and distributed by the Treasurer's Department.

#### **Auditor of State Comments**

- The unaudited GAAP basis financial statements were not filed with the Auditor of State within 150 days of fiscal year-end as required by Section 117.38, Revised Code. The unaudited GAAP basis financial statements should be filed with the Auditor of State through the Hinkle System within 150 days of fiscal year-end.

# Coventry Local School District – Summit County

## Financial Accounting Report

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### Recording Official Proceedings

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

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

#### Statutory Requirements

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

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

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

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

The Board usually holds their regular monthly meetings on the third Tuesday of each month. The Treasurer takes handwritten notes during the Board of Education meetings. From those notes, the Treasurer types up the minutes of the meeting. The minutes include who is in attendance, a summary of topics discussed, resolution numbers and a description of the resolution, votes on each resolution and any reports or materials handed out to support the resolutions. The minutes are approved by the Board at the following month's meeting and signed by the Treasurer and the Board President. Typed minutes are kept in books in the Treasurer's Office. Video recordings of Board meetings are available on the School District's website.

#### Auditor of State Comments

None.



## Coventry Local School District – Summit County

### Financial Accounting Report

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#### Conclusion

The methods described and included in this report are based on our inquiries and discussions with School District personnel and the related procedures documented from the School District's Policy Manual, resolutions, Ohio Administrative Code and the Ohio Revised Code. These methods, in some cases, vary from the actual methods used in performing the daily activities.

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

**Coventry Local School District – Summit County**

**Financial Accounting Report**

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# Dave Yost • Auditor of State

COVENTRY LOCAL SCHOOL DISTRICT

SUMMIT 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  
SEPTEMBER 26, 2017