



**Auditor of State
Betty Montgomery**

**Bristol Local School District
Trumbull County, Ohio
Report on Accounting Methods**

Local Government Services Section

**Bristol Local School District, Trumbull County
Report on Accounting Methods**

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CERTIFICATION

On October 14, 2003, the Bristol 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 condition, the Auditor of State shall issue a report assessing the methods, accuracy and legality of the accounts, records, files, and reports. The report shall indicate whether the School District is in compliance with Section 117.43, Revised Code and the requirements of the Auditor of State.

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

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

June 9, 2004

Bristol Local School District - Trumbull County

Financial Accounting Report

Purpose

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

Accordingly, this report addresses the following: (1) whether the current accounting system fulfills the needs of the Bristol 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. Information for this report was obtained by interviewing School District personnel and reviewing pertinent accounting, financial, and budgetary records.

This report is intended solely for the use of the Financial Planning and Supervision Commission of the Bristol 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.

Bristol Local School District - Trumbull County

Financial Accounting Report

Governance Overview

Bristol 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 October 14, 2003, the School District was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. Commission membership is as follows:

1. The director of budget and management or a designee;
2. The superintendent of public instruction or a designee;
3. A resident of the School District and owner of a local business appointed by the county auditor;
4. A local business person appointed by the Governor; and
5. A parent with a child enrolled in the School District appointed by the 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 Bristol Local School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Commission is to specify in the financial recovery plan the level of fiscal and management control that the Commission will exercise within the School District during the period of fiscal emergency, and shall enumerate respectively, the powers and duties of the Commission and the duties of the school board during that period.

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

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

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

Bristol Local School District - Trumbull County

Financial Accounting Report

Governance Overview

(continued)

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 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 Board.

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 and the School Board has been addressed in the financial recovery plan adopted on December 18, 2003.

Auditor of State Comments

None

Bristol Local School District - Trumbull County

Financial Accounting Report

Budgetary Process

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining how much and what type of financial resources shall be raised, and how those financial resources shall be spent. An annually appropriated budget should be adopted, by resolution, for all funds other than agency funds and the amounts appropriated for each fund should not exceed the estimated resources available for the fiscal year. The budget should present sufficient information to identify the major sources of revenues and the functions and major objects of expenditures. The process should encompass current operations and maintenance for the various school district buildings/departments, student programs, capital acquisition and replacement, and debt retirement. The adopted budget should be integrated with the accounting system to ensure and demonstrate compliance with the budget and allow for ongoing and timely information on unrealized revenues and balances available for obligation.

Statutory Requirements

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

Tax Budget: The Trumbull County Budget Commission has waived the requirements of the formal tax budget. The County Budget Commission requires tax levy information for all funds with property tax revenue to be submitted to the County Auditor as Secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources: Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's official certificate of estimated resources which includes the estimated beginning fund balance and the estimated revenue of each fund. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year; however, any reserve balance account and the principal of any nonexpendable trust fund is to be excluded. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the school district treasurer.

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

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.

Bristol Local School District - Trumbull County

Financial Accounting Report

Budgetary Process

(continued)

Administrative Code Requirements

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

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

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

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

A certificate of adequate revenues is also to be attached to each appropriation measure. The certification shall not consider the renewal or replacement of an existing levy in the current fiscal year unless the renewal or replacement levy has been approved by the electors and is available for appropriation in the current fiscal year.

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

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

Bristol Local School District - Trumbull County

Financial Accounting Report

Budgetary Process

(continued)

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

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

School District's Budgetary Process

Prior to January 20, the School District Treasurer provides information requested by the Trumbull County Budget Commission for the fiscal year commencing the following July 1. This information includes proposed resources for the general, bond retirement and any other fund with property tax revenue. The information is filed with the budget commission no later than January 20. The treasurer, with input from the superintendent, prepares the next fiscal year's operating budget (tax budget) and presents the proposed budget to the Board of Education for adoption.

Prior to April 1, the Board of Education accepts, by resolution, the tax rates as determined by the county budget commission and receives the commission's certificate of estimated resources. The resolution may be delayed until a later date approved by the State Tax Commissioner.

After the close of the fiscal year, the Treasurer certifies fiscal year-end fund balances to the budget commission and requests an amended official certificate of estimated resources that includes the actual unencumbered cash balances from the preceding year.

Bristol Local School District - Trumbull County

Financial Accounting Report

Budgetary Process

(continued)

The School District adopts a permanent appropriation measure prior to the start of the new fiscal year. The Treasurer submits appropriations at the fund level for Board review and discussion. The Board adopts the appropriations at the fund level. Upon passage, the Treasurer allocates the appropriations to the various accounts within each fund based on prior year actual amounts and any anticipated changes for the current fiscal year. Building principals and department heads may request adjustments to appropriation amounts under their control by submitting a request to the Treasurer. The Treasurer reviews the request and, if the amounts are reasonable and will not adversely affect other appropriation amounts, approves and posts the changes.

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

Appropriations for all student activities are set at the fund level in the appropriation measure. The Board, by approval of the individual budgets authorizes those student activity programs it wishes to be operational each year. The student activity budget forms are prepared by the activity sponsor and approved by the building principal. The form identifies the activity, building, purpose, the fund balance at the start of the fiscal year, projected sources of income, major disbursements, and estimated fund balance at the end of the fiscal year.

The School District submits the five-year forecast annually to the State Department of Education and updates the forecast periodically during the year. The forecast is approved by Board resolution prior to it being filed.

Auditor of State Comments

1. The Board has adopted appropriations in funds that do not appear on the amended certificate. As part of the budgetary process, fund appropriations should be compared to the estimated resources on the amended official certificate and this comparison should be submitted to the Board with the supplemental appropriation request.
2. By statute, appropriations are limited to the estimated resources in the existing amended official certificate of estimated resources. A supplemental appropriation resolution is adopted by the Board which equals an anticipated increased amended certificate of estimated resources. If new or additional revenue is anticipated and the Board desires to spend it, an amended certificate should be certified by the budget commission before supplemental appropriations are passed.
3. Documents received from the county budget commission do not always agree with information submitted by the School District. The documents received from the county budget commission should be reviewed upon receipt and corrections requested if needed.
4. The estimated revenues and appropriations in the accounting system do not agree with the most current supporting documents. Amendments should be posted to the accounting system after approval by the Board for appropriations and after receipt of an amended certificate of estimated resources from the budget commission. The Treasurer should compare budgeted amounts in the accounting system to the current amended certificate and appropriations measures as passed by the board to ensure that recorded amounts are accurate.

Bristol Local School District - Trumbull County

Financial Accounting Report

Budgetary Process

(continued)

5. The School District adopts an annual appropriation prior to the start of the new fiscal year. If the required amended certificate of estimated resources or a certification that no amended certificate need be issued has not been received from the county auditor, adoption of the annual appropriation measure must be delayed until the certificate/certification has been received.
6. A certificate of adequate revenues signed by the treasurer, president of the board of education and the superintendent of the school district is to be attached to each appropriation measure. Except under limited circumstances, the certificate should indicate that the school district has in effect the authorization to levy taxes including the renewal or replacement of existing levies which, when combined with the estimated revenue from all other sources available to the school district at the time of certification, are sufficient to provide the operating revenues necessary to enable the school district to maintain all personnel and programs for all the days set forth in its adopted school calendar for the current fiscal year. 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. There is no evidence that indicates this requirement has been met.
7. The Board of Education authorized the superintendent and treasurer to amend appropriations as necessary during the fiscal year not to exceed the last certificate of estimated resources at the January 5, 2004 organizational meeting. The legislative body of a local government may not delegate its authority to establish appropriations. The appropriation process is a function of the legislative authority that must be performed by those specific individuals elected to fulfill that responsibility. The superintendent and treasurer may only allocate or re-allocate funds within a legally adopted appropriation.

Bristol Local School District - Trumbull County

Financial Accounting Report

Revenue Activity

Description of an Effective Method for Recording Receipts

The receipting process should allow for the consistent identification, classification by source, and recording of each receipt. Receipts should be promptly recorded, safeguarded, and deposited at least daily. The receipt or pay-in-order form should be a consecutively pre-numbered multi-part form. The receipt should bear the name of the entity and reflect the date received, the payee, amount, the purpose or nature of the receipt, account code, and the signature of the person preparing the receipt. Supporting documents should be attached to a copy of the receipt and filed numerically or by payee. All receipts should be deposited and posted 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 moneys received by that person with the Treasurer of the public office or properly designated depository on the business day next following the day of receipt, if the total amount of such moneys received exceeds one thousand dollars. If the total amount of the public moneys received does not exceed one thousand dollars, the person shall deposit the moneys on the business day next following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days next following the day of receipt, for making such deposits, and the person is able to safeguard the moneys until such time as the moneys are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited. If the public office of which the person is a public official is governed by a legislative authority, only the legislative authority may adopt such a policy.

School District's Receipt Process

The School District receives money in the form of wire transfers, cash, money orders and checks. The revenues received by wire transfer are state foundation monies, grants and property taxes. The remittance forms for wire transfers are received in the mail from the payee. The Budgetary Clerk prepares a pay-in receipt for the wire transfers with the fund and receipt code, and posts the transactions. Pay-in receipts are prepared in duplicate with the original issued to the payee and the copy filed by receipt number in the Treasurer's office.

All deposits are taken to the bank by the Treasurer's office in a sealed deposit bag. The deposit information is written on a tear off strip which is retained by the preparer and attached to the pink copy of the deposit slip which remains in the deposit book. The information written on the strip is transferred to the actual bag that goes to the bank.

All employees who handle money are bonded by position with the School District paying the cost of the bond. All receipts prepared in the School District's Treasurer's office and the various buildings use pre-numbered receipts.

Receipt of State Foundation: State foundation monies are wire transferred bi-monthly to the School District's general checking account from the Ohio Department of Education. The foundation settlement sheets which show the various sources of state aid are mailed to the School District and are available online at the Ohio Department of Education's web page. Generally, foundation settlements include restricted and unrestricted receipts, tuition, and various other payments to the School District. The foundation statement is given to the Treasurer or Budgetary Clerk who prepares a pay-in receipt and posts the revenue at gross. Deductions for STRS, SERS, tuition, and other items are posted as memo expenditures. State foundation receipts are posted using the USAS codes provided on the settlement sheets.

Bristol Local School District - Trumbull County

Financial Accounting Report

Revenue Activity

(continued)

Receipt of Property Taxes: Upon receipt of the electronic funds transfer advice and tax settlement sheet from the Trumbull County Auditor, the Treasurer prepares a sheet outlining the amounts and accounts for the gross amount of the settlement and the deductions. The Treasurer's office prepares a pay-in receipt and posts the transactions.

Receipt of Grant Monies: The School District receives Federal, State, and local revenue in the form of restricted and unrestricted grants. The School District receives Federal and State grant receipts by electronic fund transfer from the Department of Education. The Board authorizes the applications for all grants. For most grants, the Superintendent and Treasurer complete a monthly draw down request. For the lunch/breakfast program, the Food Service supervisor files a CN report which identifies reimbursable amounts due to the School District. Upon receipt of an email notification stating the date of the wire transfer of funds, the total amount that will be transferred within five days of notification and the fund to receive the money, the School District issues a pay-in receipt and posts the transaction.

Athletic Event Receipts: The School District requires payment for attendance at athletic events. The athletic director prepares a Ticket Accountability/Cash Accountability form for use with each game that includes the event, date, and beginning ticket number of each ticket roll being used. Persons buying tickets pay the ticket seller and receive their ticket. The ticket is given to a ticket taker at the entrance to the game, who tears the ticket in two. The ticket seller turns the unsold ticket rolls and money over to the athletic director. The athletic director enters the last ticket numbers sold on a Ticket Accountability/Cash Accountability form, computes the total sales by multiplying the number of tickets sold times the ticket price for students and adults, counts the money, and compares the cash received to the total ticket sales. If there are discrepancies, the athletic director talks to the ticket seller immediately. If the discrepancy cannot be explained, the ticket seller must reimburse the difference out-of-pocket. The money and the Ticket Accountability/Cash Accountability form are locked in a safe by the athletic director and the athletic director then remits money to the Treasurer's office the next school day. The Budgetary Clerk issues a pay-in receipt, prepares a deposit slip, and posts the transaction. A copy of the pay-in receipt is returned to the Athletic Director.

Student Activity Receipts: Purpose statements and budgets are prepared by the student activity advisor and approved by the Principal, Superintendent and the Board of Education at the beginning of the school year. The approved purpose statements are kept on file in the Treasurer's office. The purpose statements include the anticipated receipts and expenditures of the student activity for the school year. Prior to the start of a fund raiser, the advisor prepares a Fund Raiser Income Projection Form which is approved by the building principal and remitted to the Treasurer's office. The Superintendent and Treasurer review project potential forms. If no errors or irregularities are noted, they are approved by the Superintendent. All advisors remit monies to the Treasurer's office who issues a pay-in receipt to the advisors. The Budgetary Clerk prepares a deposit slip and posts the transactions.

Student activity advisors fill out a Fund Raiser Summary of Sale at the end of a fund raiser. The original is forwarded to the Treasurer who compares it to the actual receipts and expenditures. If any discrepancies are noted, the Treasurer investigates the discrepancy with the advisor. If variances are noted, the Superintendent instructs the building principal or head teacher to investigate the shortage.

Bristol Local School District - Trumbull County

Financial Accounting Report

Revenue Activity

(continued)

Receipt of Cafeteria Monies: Money is collected in the individual building lunchrooms. A programmable cash register is used to account for the sale of lunches at the elementary, middle, and high schools. The cashier enters into the cash register whether the lunch is paid, free, or reduced price. Students eligible for free or reduced-price lunches are identified by sight by the cashier for all schools. Ala carte items are also sold. At the end of each day, the cash registers are zeroed out and CN-7 paperwork is completed by the cashiers. This gives the daily totals by category (i.e. paid, free, reduced-price, extra milk, ala carte, adult receipts and student workers). The school cashiers reconcile the money in their drawers to the cash register tapes. If the drawer should reconcile over or under the count, the first time adult lunches are adjusted for the difference. After the first time, the employee pays the difference with a reprimand after the third time. A cash slip is prepared by each cashier and one of the cashiers takes the money to the Food Service Supervisor where it is recounted. Cash register receipts are placed in a locked bag and the Food Service Supervisor takes the money to the Treasurer's office where it is counted and a deposit slip is prepared. The Treasurer or Budgetary Clerk issues a pay-in receipt to the Food Service Supervisor for the total of each of the school's collections. The Food Service Supervisor keeps a record of the tape totals and compares the record with the receipt from the Treasurer's office. At the end of every month, the Food Service Supervisor foots and crossfoots the information on the CN-7 (prepared by the cashiers) and she uses the CN-7's to prepare the monthly CN-1 report.

Miscellaneous Receipts: Money for fees, overdue book fines, and damaged equipment is brought to the Treasurer's office. The Treasurer or Budgetary Clerk counts the money and completes a pay-in receipt.

The Treasurer's office prepares and mails an invoice for the use of school facilities, student fees, and other items. The copies of the invoices are maintained in a folder until the payment is received. The Treasurer's office reviews the folder on a monthly basis. When payments are received, the Treasurer prepares a pay-in receipt which includes the fund and receipt code. The Treasurer or Budgetary Clerk then posts the receipt.

Auditor of State Comments

1. The ticket seller should have the opportunity to count the money collected and then have the athletic director verify the amount.
2. The School District needs to establish controls over the goods ordered and received for fund raising activities and the goods given to and returned by each student.

Bristol Local School District - Trumbull County

Financial Accounting Report

Purchasing Process

Description of an Effective Method for Purchasing

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

Statutory Requirements

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

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

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

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

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

Bristol Local School District - Trumbull County

Financial Accounting Report

Purchasing Process

(continued)

Major Contracts: Section 5705.412, Revised Code, provides definitions for qualifying contracts and states that no school district shall make any qualifying contract or increase any wage or salary schedule unless there is a signed certificate attached thereto that the school district has sufficient revenue to enable the district to maintain all personnel and programs for a specified number of days. A certificate attached to any qualifying contract shall cover the term of the contract; a certificate attached to a wage or salary schedule shall cover the term of the schedule. The certificate shall be signed by the treasurer, and president of the board of education and the superintendent of the school district, unless the school district is in a state of fiscal emergency, in which case the certificate shall be signed by a member of the district's financial planning and supervision commission. Obligations that do not have a certificate of adequate revenues as required are considered void and no payments may be made on void obligations.

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

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

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

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

1. Educational materials used in teaching;
2. Computer hardware and software used for instructional purposes;
3. 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).

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

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

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

Bristol Local School District - Trumbull County

Financial Accounting Report

Purchasing Process

(continued)

School District's Purchasing Process

Purchase requisitions are prepared in duplicate by staff and approved by the building principal or immediate supervisor. Staff are to receive two or three quotes from different vendors and chose the vendor offering the lowest price. The approved requisition is sent to the Treasurer who verifies that the vendor has no outstanding unpaid findings for recovery issued by the Auditor of State. This verification is completed by performing a search on the Auditor of State's web site for unresolved findings for recovery. The search results are printed, initialed by the Treasure and attached to the requisition. If the vendor appears in the unresolved findings for recovery database, the requisition is returned to the employee. If the vendor does not appear in the unresolved findings for recovery database, the requisition is sent to the superintendent for approval and is returned the treasurer. All purchases requisitions under \$25,000 are approved by the Superintendent and those over \$25,000 are let by competitive bid.

After the requisition has been approved by the superintendent and sufficient appropriations have been verified by the treasurer, a purchase order is manually typed by the budgetary clerk and given to the treasurer. The Treasurer reviews the purchase order and, if necessary, corrects the expenditure account codes and signs the purchase order. All purchase orders contain a statement above the Treasurer's certification that "order voided unless signed by the Treasurer." Purchase orders are used for all purchases of the School District except payroll.

The purchase order is a four-part, pre-numbered form. The white (original) copy of the purchase order, based on instructions on the requisition, is faxed or mailed to the vendor with a photocopy being returned to the employee through inter-office mail or it is sent to the employee who requested the purchase order. The original copy of the requisition if filed by vendor name in the treasurer's office and the copy is also returned to the employee. The yellow (Treasurer's copy), pink (used only for partial payments), and blue copies of the purchase order are placed in a three ring binder maintained in the Treasurer's office.

Blanket or open purchase orders are prepared from an approved requisition. Blank purchase orders are limited to \$5,000 and 90 days or the end if the fiscal year, which ever occurs first. They are used in the areas of food service and building maintenance. The Treasurer's office maintains a list of all blanket purchase orders. The Treasurer compares actual expenditures to the authorized purchase order amount several times a year to determine if a new blanket purchase order will need to be opened.

The Treasurer or a Budgetary Clerk reviews the unpaid purchase orders every month and checks with the vendor or requesting building or department on the status. They are also double-checked to the outstanding purchase order listing from the accounting system to be sure there are no mistakes in posting.

Auditor of State Comments

1. The School District should provide "412" certificates signed by the treasurer, superintendent and Board president for all negotiated agreements, salary schedules and construction contracts. The "412" certificates should be signed at the time the contract is approved by the Board or no later than the time the contract is signed. The certification of adequate revenues is to be attached to all qualifying contracts. The certification should cover the term of the contract.
2. The use of blanket purchase orders was authorized by statute for up to 90 days and \$5,000. In 2003, the statute was amended requiring the legislative authority to establish by resolution the amount that may be certified and removed the 90 day restriction.

Bristol Local School District - Trumbull County

Financial Accounting Report

Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the School District. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips, a comparison of the prices on the invoice to the purchase order, and the signature of the individual who made the comparisons. All invoices should be recomputed ensuring accurate extensions and totals. A voucher should be prepared reflecting the proper payee, invoice amount and accounts codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data) and a properly executed certification by the Treasurer. All checks should be promptly signed by the Treasurer, posted in the appropriate accounting records, and mailed to the vendor. Vouchers should be filed numerically or by vendor.

Statutory Requirements

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

In every school district the treasurer of the board of education shall be the treasurer of the school funds. No moneys of a school district shall be paid out except on a check signed by the treasurer.

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

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

Section 3313.18, Revised Code, provides whenever a board of education 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 for by law, the payment of debts or claims, the salaries of 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.

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."

Bristol Local School District - Trumbull County

Financial Accounting Report

Cash Disbursements

(continued)

School District's Cash Disbursement Process

All goods are delivered to the Treasurer's office. Upon receipt, the Treasurer or Budgetary Clerk verifies the items received against the packing slip and the Treasurer's copy of the purchase order. If the order is complete, the Treasurer or budgetary clerk signs off on the packing slip and the packing slip is attached to the purchase order and placed back in the purchase order binder until an invoice is received. If no purchase order exists, the employee responsible for the order is notified and requested to process a purchase order.

All invoices are mailed to the Treasurer's office (Board of Education). The Treasurer or Budgetary Clerk opens all invoices and matches them to the purchase order and packing slip. The items, quantities, and unit price on the purchase order are compared to the invoice. If the invoice amount exceeds the purchase order amount by ten percent, an additional purchase order is prepared for the difference. If an invoice is wrong, the Treasurer investigates why there is a difference and resolves the discrepancies. The invoice, billing slip, and yellow copy of the purchase order are placed in a file for payment. If the order is not complete, payment is held until the order is completed to the satisfaction of the School District.

The voucher package (invoice, packing slip, purchase order copy and Auditor of State's finding certified results) is then put in the file that holds the packet until payment. The yellow copy of the purchase order is used for a one-time payment and the pink copy being used if it is a partial payment or a payment on a blanket purchase order.

Bills are paid once a week based on the invoice due date or upon a review and determination by the Treasurer that sufficient cash is available in the funds. To process bills for payment, the budgetary clerk enters in the vouchers payable system the purchase orders to be processed for payment. A proof listing is printed and reconciled to the supporting documents before processing the checks. A check run prints the checks and then the checks are run through the check signing machine. The facsimile signature plate is kept in the locked safe which is only accessed by the Treasurer and the Budgetary Clerk. The three part pre-number checks are separated and the original is mailed with the remittance documents to the vendor. The yellow copy which serves as the voucher is attached to the supporting documents and the pink copy is attached to the blue copy of the purchase order stored in the purchase order binder. The vouchers are filed numerically by vendor number.

The Treasurer receives blanket approval from the Board at the organizational meeting to pay obligations as they come due. The Board receives a list of the vendor payments made each month.

If a check is voided, the check is marked void and the signature block is removed. The voided checks are filed in numeric order with the cancelled checks.

Auditor of State Comments

1. The School District should have a written policy addressing the invoice amount exceeding the purchase order amount.
2. The School District allows the food service fund to carry a deficit cash balance. Disbursements should not be made from a fund with an insufficient cash balance. If the timing of receipts is an issue, the Treasurer should request, by resolution, Board approval of an advance from the general fund. The resolution should state how and when the advance will be repaid.

Bristol Local School District - Trumbull County

Financial Accounting Report

Cash Disbursements

(continued)

3. The fiscal officer's certification of the available funds for purchase commitments is to occur before the order is placed and the goods or services are received. If timely certification was not obtained, a "Then and Now" certification may be made provided the amount is less than \$3,000. Payments of \$3,000 or more are to be approved by resolution of the Board of Education.

Bristol Local School District - Trumbull County

Financial Accounting Report

Payroll Processing

Description of an Effective Method of Payroll Processing

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

Statutory Requirements

The following State statutes apply:

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

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

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

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

Bristol Local School District - Trumbull County

Financial Accounting Report

Payroll Processing

(continued)

School District's Payroll Processing Procedures

Positions and job descriptions are authorized by the Board of Education and incorporated in the policy manual. Applications for certified positions are received and approved by the Trumbull County Education Service Center (the ESC) superintendent. Recommendations for the employment of teachers are made to the Board of Education by the Bristol Local School District superintendent. Original applications are kept on file at the ESC. Copies are kept in individual employee files in the Treasurer's office along with licenses and certificates. Non-certified applicants apply at the School District and the Superintendent makes recommendations to the Board of Education for employment of non-certified employees. The Board of Education authorizes all employment which is recorded in the minutes.

New employees fill out Federal and State withholding forms (W-4, retirement forms, I-9) and provide pertinent personal information (employee name and social security number). The information is entered into the School District's payroll system as part of file maintenance.

Salaries are paid according to master contract between the Board of Education and certified employees bargaining unit. The schedule is based on degree achieved and years of experience. The Treasurer verifies degree and experience through the ESC and determines placement on the salary schedule according to the terms of the contract. The bargaining contract for classified employees also includes salary schedules and vacation and paid holiday leave.

Building secretaries prepare absence sheets indicating employees absent and the substitute. These are forwarded to the Treasurer's office along with leave forms signed by employees and their direct supervisor. Personal leave is approved in advance by the Superintendent. The Treasurer then enters sick, vacation, and personal leave into the computer. A sick, vacation and personal leave report indicating accruals, usage, and ending balances by employee is generated.

Substitute teachers and hourly employees prepare time sheets. Time sheets/payroll information is approved by the building principal or department head and is then submitted to the Treasurer's office. The Treasurer foots the time sheets and calculates the gross pay by hand on a worksheet generated by the payroll software. The Treasurer also compares the absences sheets submitted with approved leave forms. The Treasurer prepares payroll appropriation forms which classifies payroll according to fund, function and object which is part of the system and done for every employee. The Treasurer runs key field reports at the beginning of each payroll. A key field report is a list of employees by classification (Paygroup 1: Regular; Paygroup 2: Substitute).

The Treasurer does file maintenance before the payroll is run. This includes adding new employees, changes in deductions and changes in taxes. If changes to deductions are desired by an employee, the employee must submit a change form which is entered in the payroll system and placed in the employee's file. Authorization for deductions and changes in deductions are completed and filed in the payroll files.

The payroll system automatically pulls up all "permanent" pay cards for all employees selected (certified and classified). The Treasurer does file maintenance on the permanent pay cards, if necessary, and adds "temporary" pay cards for all substitutes (certified and classified) and supplemental payments. Overtime is automatically put on a temporary pay card. This system control insures that a check will not exceed a certain dollar amount. The permanent pay card distribution list and the temporary pay card distribution list are compared to the Treasurer's control distribution sheet. All temporary pay cards are deleted before the next pay run.

Bristol Local School District - Trumbull County

Financial Accounting Report

Payroll Processing

(continued)

The computer generates a distribution proof listing. This proof listing balances gross pay, hours worked and sick, personal and vacation hours used with a payroll worksheet prepared by the Treasurer. The payroll worksheet is run from the computer system upon completion of the previous payroll. A deduction proof listing is run showing deductions. Any deduction changes are compared with changes made as part of file maintenance by the Treasurer. A pre-payroll verification proof listing is run showing gross payroll, deductions and net check amount. Gross payroll is compared with the payroll appropriation form by the Treasurer. The pre-payroll verification proof listing is reviewed for errors by the Treasurer. Any errors noted are corrected by the Treasurer.

Checks are printed by the computer. Several checks are voided due to aligning of the printer. Voided checks are kept on file. The unused supply of checks is kept under lock and key in the Treasurer's office. Checks are pre-numbered and used in sequence. The check number is also duplicated in the "Check No." box area of the check. The Treasurer starts the process by entering the first check number into the computer. Payroll checks require a signature of the Treasurer. The checks are signed using a facsimile signature plate stored in the safe. A check register is generated indicating employee, check number, check date and amount, employee number, gross pay, deductions and net pay. The payroll check stub contains the detail of gross pay and deductions.

The Treasurer reviews the appropriations and the payroll distribution reports for proper posting to the respective funds. The gross payroll amount is transferred electronically from the general checking accounting to the payroll checking account. A pre-update grand total report is called up by the Treasurer. This report is updated with the current pay run. After this procedure has been completed, deduction and distribution reports are run. A post-update grand total report is then run and the payroll is posted to the appropriation ledger and the payroll journal is printed.

Bristol substitute employees' paychecks are mailed. Regular employees may pickup their checks at the Treasurer's office or have it mailed. Farmington employees pick them up in the Farmington principal's office. Bristol employees pick them up in the Treasurer's office.

The Treasurer keeps track of deductions to be paid. Some are payable each pay period, others bi-monthly, monthly or quarterly. The Treasurer runs deduction checks and compares totals with deduction proof listings. The computer generates a payroll deduction check register. The computer then posts all deduction transactions and generates posting ledger journals.

Monthly reports are run until the end of the quarter when they are cross-checked against the quarterly reports that are run at the end of the quarter for the files. The Treasurer prepares the quarterly Federal tax reports. State tax remittal forms are prepared each pay period. The tax reports and supporting documentation are reviewed by the Treasurer. W-2's are run by North East Ohio Management Information Network (NEOMIN) and returned to the Treasurer who distributes or mails them to the employees. W-2 totals are compared to the Grand Totals Report and Federal Tax Worksheet.

Auditor of State Comments

1. The School District should have the time sheets signed and dated by the employee in addition to the employee's supervisor.

Bristol Local School District - Trumbull County

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. A resolution authorizing the issuance of debt should be passed by the School Board. The statute authorizing the issuance should be identified in the resolution as well as the purpose of the debt, the maturity, interest rate, and the source of revenue to be used for repayment. Debt proceeds should be receipted into a separate fund 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 insure the timely payment of both principal and interest.

Statutory Requirements

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

School District's Debt

The School District's outstanding debt at December 31, 2003 consists of the following:

	<u>Principal Outstanding 12/31/2003</u>
<i>General Obligation Bonds:</i>	
1998 3.90% to 5.25% Current Interest Bonds	\$1,810,000
1998 8.15% to 9.00% Capital Appreciation Bonds	<u>300,784</u>
<i>Total General Obligation Bonds</i>	2,110,784
<i>Loans:</i>	
2004 0% Solvency Loan	785,000
1993 0% Asbestos Abatement	<u>84,977</u>
<i>Total Obligations</i>	<u><u>\$2,980,761</u></u>

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

During fiscal year 2004, the School District received a Solvency Assistance Fund advance from the State. 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 advance is repaid over two years with State foundation revenues.

The asbestos abatement loan is federal assistance under the Asbestos School Hazard Abatement Act which gave out zero percent interest loans that allow school districts to abate the asbestos in the school districts.

Auditor of State Comments

None

Bristol Local School District - Trumbull County

Financial Accounting Report

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the School District should be adequately safeguarded against loss or theft. Policies should exist that define capital assets, establish capitalization thresholds, and minimum useful lives. Procedures should be defined for the tracking capital assets. An inventory should be maintained by the entity and include a description of each item, its cost, serial and/or model numbers, date of purchase, fund purchased from, program used in, asset type, tag number, location, useful life, salvage value, the annual depreciation amount and the accumulated depreciation. The inventory should be updated throughout the year for purchases and disposals. Verification of the existence of the listed assets should be performed periodically. The disposal of an asset should be properly authorized and reported to the Treasurer. The School District should produce accounting records at fiscal year-end that support the amounts reported in the financial statements. The capital asset accounting system should distinguish capital assets and non-capital assets included for control purposes.

Supplies and materials should be inventoried annually at or near the balance sheet date. The basis used to value materials and supplies (cost basis, for instance) and the method used to apply that basis (first-in-first-out, last-in-last-out) should be consistently applied each year. Procedures for the performance of the physical inventory should be documented and supplied to those who will perform the inventory.

Administrative Code Requirements

Section 117-2-02 (D)(4)(c) of the Ohio Administrative Code requires that the school district maintain "fixed asset records including such information as the original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset description, location and tag number".

School District's Method of Accounting for Capital Assets

In accordance with Board policy, the School District performs a complete inventory of all School District owned equipment and supplies. The policy defines equipment as a unit of furniture or furnishings, an instrument, a machine, an apparatus or articles which retain shape and appearance with use, is nonexpendable and does not lose its identity when incorporated into a more complex unit. The policy further requires the School District to maintain a capital asset accounting system. The capital asset accounting system is to provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principals, determine adequate insurance coverage and provide control and accountability.

Equipment is inventoried by building, floor and room name or number. Leased equipment that the School District will eventually own is also inventoried. Movable equipment is inventoried by building, floor and room name. Any item that has a model number or serial number has that number noted in the description for full identification. All items assigned to a building are the building administrator's responsibility. All equipment purchased with a cost of \$1,000 or more and with an estimated useful life of five years or more is tagged upon receipt and made part of the equipment inventory. Buildings and the additions to buildings are identified by location or name and are described in detail (e.g. size, number of floors, square footage, type of construction, etc.) with the value shown for all individual structures.

Audio-visual and computer equipment are inventoried by the audio-visual director and the technology coordinator with sublisting of location. Each component is identified with an inventory tag. An accurate official record of textbooks, computer software, and library books is kept.

Bristol Local School District - Trumbull County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

All capital assets, when purchased, are coded with an object code of 600 or 700. The capitalized assets are flagged by the system and the Treasurer inputs the remaining data. In April each fiscal year, the Treasurer generates a report of all capital assets purchased during the current fiscal year. The report is sent to the department heads who verify each item by the inventory tag number affixed upon delivery from the vendor and prior to distribution to buildings. The Treasurer verifies that each capital asset in the system has an inventory number and all relevant information (i.e. purchase order number, coding and location).

Anyone during the year that disposes of any capital asset removes the inventory tag, states the reason for disposal and gives the information to the Treasurer's Office. The Treasurer enters the information and files the supporting documentation in a file labeled assets acquired and disposed.

A physical inventory of consumable supplies is taken at the building level at the close of the school year in accordance with the Board policy. The Treasurer is assisted by the building principals, directors, supervisors, and support staff in the performance of the inventory. The building inventories are submitted to the Treasurer's Office for calculation of cost. A year-end physical inventory of supplies is also performed in the food service and buildings and grounds department.

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

Auditor of State Comments

1. The capital assets policy should be expanded to address the value assigned to donated assets, salvage values, authorization for disposals, and private property (items belonging to staff and students).

Bristol Local School District - Trumbull County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

Cash received by a school district should be deposited in a central bank account. Monies for all funds should be maintained in the account or temporarily used to purchase investments. Reconciliations should be completed for all accounts on a monthly basis. The books should be closed at the end of the last business day of the month and processing of transactions for the new month should commence the following 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. Adjustments, if appropriate, and unrecorded items should be posted upon completion of the bank reconciliation.

Statutory Requirements

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

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

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

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

Section 135.22, Revised Code, requires the treasurer of state to provide annual continuing education programs for treasurers. A treasurer annually shall complete the continuing education program, unless the treasurer annually provides a notice of exemption to the auditor of state.

The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. These activities include the acquisition and sale of investments and the transfer of cash among the various bank accounts. The School District maintains a checking account, a payroll checking account, a money market investment account and three STAROhio investment accounts.

Bristol Local School District - Trumbull County

Financial Accounting Report

Cash Management and Investing

(continued)

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

Bank and Investment Accounts

Cortland Bank Account 1	This Cortland Bank checking account is used for the general operation of the School District.
Cortland Bank Account 2	This Cortland Bank account is a high yield savings account.
Cortland Bank Account 3	This Cortland Bank account is used for payroll for the School District.
STAROhio	This is an investment account.

STAROhio and the high yield savings account receive wire transfers for the School District. The high yield savings account at Cortland bank receives daily deposits from the School District. Transfers are then made when money is needed into the general checking account. Checks are written against this account for the daily operation of the School District.

The Treasurer's office reconciles the bank accounts each month. The Treasurer reconciles the checking account and the Budgetary Clerk reconciles the payroll checking account. The Treasurer and the Budgetary Clerk review and sign each others reconciliation. The December 2003 reconciliation indicated that the book and bank balances were reconciled. Any discrepancies are noted on the monthly cash reconciliations. The cancelled checks are placed in a box in numeric order for storage. Any discrepancies are noted on the bank statement and the monthly receipt report and corrections are posted upon completion of the reconciliation process.

The Bristol Local School Board of Education authorizes the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State Law. Investments made by the Treasurer must mature within five years, unless they are matched to a specific obligation or debt of the School District. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law. The only investment the School District holds is the STAROhio account and the only two funds that receive interest are the general fund and the construction fund depending on which fund made the investment.

The Board requires the Treasurer to report to the Board monthly describing each investment, including its cost, par value, maturity date, settlement date, any coupon rate, an estimated market value, or, if available, the current market value. The report also lists the names of any person making investment transactions on behalf of the School District.

The Treasurer is also authorized to enter into repurchase agreements in accordance with Section 135.14(E) Revised Code. Repurchase agreements may be either overnight or for a period not to exceed thirty days and may only be in securities allowed by law.

The Treasurer, acting in accord with the law, may withdraw funds from approved public depositories or sell negotiable instruments prior to maturity.

Bristol Local School District - Trumbull County

Financial Accounting Report

Cash Management and Investing

(continued)

Auditor of State Comments

1. The monthly reconciliations should include a fund balance report to document that the total cash balance of all funds agrees with the reconciled amount of cash and investments.

Bristol Local School District - Trumbull County

Financial Accounting Report

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 an annual financial report in accordance with generally accepted accounting principles (GAAP) and present it to the Board of Education.

Statutory Requirements

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

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

Administrative Code Requirements

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

School districts are required by Section 117-2-03(B) of the Ohio Administrative Code to prepare an annual financial report in accordance with generally accepted accounting principles (GAAP) and file the report with the Auditor of State within 150 days of the end of the fiscal year.

The School District's Method of Financial Reporting

The School District uses software provided by Snyder and Associates which allows for multiple standard and customized month-and year-to-date reports. The School District prepares month-and year-to-date reports, places them in binders and stores them in file cabinets in the Treasurer's office. Throughout the year various payroll reports are kept on file in the Treasurer's office. The Cash Basis Annual Financial Report, 4502, is completed by July 20, each year and is transmitted by Snyder and Associates to the State Department of Education. Effective July 1, 2004, the School District will be converting to State software.

Bristol Local School District - Trumbull County

Financial Accounting Report

Financial Reporting

(continued)

The Treasurer's Office provides the Board with Treasurer's notes, the Superintendent's report, the agenda for the meeting, monthly minutes that need approval, bank statements, monthly reconciliations and resolution and exhibit copies. The Treasurer's notes are a weekly update from the Treasurer to the Board members. The update includes information such as upcoming meetings, personnel changes and financial updates that the Board needs to know. Other financial reports are given according to request of the Board members.

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited financial statements are filed with the Auditor of State, Local Government Services Division within 150 days of the end of the fiscal year end. The filing of the financial statements is released as a legal notice in the Free Press, a small local newspaper that is distributed to the community free. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all board members.

Auditor of State Comments

None

Bristol Local School District - Trumbull County

Financial Accounting Report

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

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

Statutory Requirements

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

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

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

Auditor of State Comments

1. The minutes should be signed immediately following the meeting at which they are approved. The Board minutes are not signed when approved at each meeting.

Bristol Local School District - Trumbull County

Financial Accounting Report

Conclusion

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

In conclusion, it is our opinion that the current methods of the accounting and financial reporting of the Bristol 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.



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BRISTOL LOCAL SCHOOL DISTRICT

TRUMBULL 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
JUNE 10, 2004**