



**Dave Yost • Auditor of State**

**Little Miami Local School District  
Warren County, Ohio**

**Financial Accounting Report**

**Local Government Services Section**



**Little Miami Local School District  
Warren County  
Report on Accounting Methods**

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# Dave Yost • Auditor of State

## CERTIFICATION

On January 13, 2011, the Little Miami 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 Little Miami Local School District.

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

May 15, 2012

# Little Miami Local School District – Warren 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 Little Miami 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 Little Miami 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.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Governance Overview

Little Miami 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 July 13, 2010, the School District was declared in a state of fiscal emergency by the Auditor of State. A Financial Planning and Supervision Commission (the Commission) was established under Ohio Revised Code Section 3316.05. Commission membership is as follows:

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

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

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

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Governance Overview

(Continued)

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 plan adopted on October 26, 2010, and includes the power to approve contracts entered into by the Little Miami 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.



# Little Miami Local School District – Warren County

## Financial Accounting Report

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Budgetary Process

(Continued)

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

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

Legal Level of Control: The legal level of control is the level at which spending in excess of budgeted amounts would be in violation of law. This is established by the level at which the Board 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.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Budgetary Process

(Continued)

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to include five-year projections of operational revenues and expenditures in a five-year forecast. Under Section 3301-92-04 of the Ohio Administrative Code, school districts are to submit the projections to the 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 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.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Budgetary Process

(Continued)

#### School District's Budgetary Process

The School District's formal policies regarding the budgetary process provide that the Board may pass a temporary appropriation measure to provide for meeting the ordinary expenses of the School District until such time as the Board approves the annual appropriations resolution for the fiscal year, which is no later than October 1. If by October 1 the county budget commission has not certified all amended certificates of estimated resources to the Board (or submitted a certification that no amended certificates are necessary), the Board can delay action on the annual appropriation measure until such time as the certificates are received.

Prior to January 15, the Board adopts 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. The budget includes proposed expenditures and the means of financing expenditures for all funds. Taxpayers may view the tax budget by coming into the Treasurer's office. The tax budget for fiscal year 2012 was adopted by the Board on January 12, 2011. Once the budget is adopted, it is filed with the Warren County Budget Commission no later than January 20. The budget commission determines the amount of millage and calculates the estimated revenue by levy.

On March 16, 2011, 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 2012.

After the close of the fiscal year, the Treasurer takes the fiscal year-end balances and generates an amended certificate using state software and submits it to the County Auditor for the next fiscal year. The County Auditor will review the amended certificate and sign it. If there are any changes, the County Auditor will issue a new amended certificate. Adjustments to the amended certificate are entered into the accounting system when received.

On June 28, 2011, the Board adopted a temporary appropriation measure at the fund level for all funds, prior to the start of the new fiscal year. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted. A permanent appropriation measure was adopted on September 20, 2011. The Treasurer submits all appropriation measures to the budget commission and at the same time submits a request for an amended certificate of estimated resources for any new or additional estimated revenue available for appropriation. Within a month, the Treasurer receives a certificate from the County Auditor certifying that appropriations from each fund do not exceed the official estimate of resources. The Treasurer also prepares and submits a 412 Certificate which certifies that the School District has sufficient revenue to support those appropriations.

All Board approved temporary and permanent appropriations are entered into the accounting system after they are passed by the Board but before the School District has received the certificate from the County Auditor that appropriations from each fund do not exceed the official estimate of resources. This is due to timing of receiving the certificate from the County Auditor.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Budgetary Process

(Continued)

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

### Auditor of State Comments

None.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Revenue Activity

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

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

#### Statutory Requirements

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

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

#### School District's Receipt Process

The School District's primary sources of revenues include property taxes collected and remitted by the County Auditor and Treasurer, State Foundation program revenues and Federal and State grants both 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 wire transfer and through various cash collection sites throughout the School District. All employees that handle money are bonded by a blanket policy. The Treasurer and Board President are individually bonded.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Revenue Activity

(Continued)

#### Building Receipts:

The building secretaries handle receipts at the various school buildings. School fees/fines and middle school student activity receipts are turned into each building secretary. One of the building secretaries prepares and signs a one page pay-in order for receipts collected. The daily receipts are secured in a safe or locked drawer by the building secretary.

All School District buildings, except for the high school, follow the following procedures. Once a day, the building secretary(s) prepare a one page pay-in order and deposit slip for daily receipts, with the exception of the cafeteria and high school athletic event receipts. The receipts and deposit slip are placed into a locked bank bag and stored in the building safe or locked drawer. The following day the School District has a runner that will pick up the bank bag and take it to the bank. The runner also picks up the prior day deposit slips and bank bags and returns them to the appropriate building. At the High school, the secretary prepares the pay-in order and deposit slip, and at the end of the work day, the high school secretary takes the deposit to the bank. The high school cafeteria and athletic event receipts still follow the procedures discussed above. (See the Treasurer's Office section of revenue activity for procedures after deposit made by runner.)

Athletic Event Receipts: The School District requires payment for admittance at various athletic events. The ticket sellers are adults only. When a ticket is sold, a ticket is given to the buyer. The ticket must then be presented at the gate/door to gain entrance to the event. The ticket is given to a ticket-taker at the entrance.

After all sales are completed, the Athletic Director is responsible for counting the money and completing the Ticket Sales Tally Report form which is used to reconcile cash received to tickets sold. This form includes the type of event, date, ticket type (student or adult), ticket starting number, ticket ending number, number of tickets sold, price of ticket, and total cash received for the tickets. The Ticket Report is signed by the Athletic Director and the ticket seller.

At the junior high school, the employee serving as the Middle School Athletic Director is in charge of receipt collection for athletic events. After all sales are completed, the Middle School Athletic Director is responsible for counting the money and completing the Ticket Sales Tally Report form which is used to reconcile cash received to tickets sold. If any discrepancies occur, the amount of the discrepancy is noted on the form. The Middle School Athletic Director keeps the money along with the unsold tickets in a lock box which is placed in a locked safe or locked drawer in the athletic director office. The following day, the Ticket Sales Tally Report and athletic monies are turned into the building secretary. The building secretary recounts the money and completes a pay-in order and deposit slip. Then the process follows the process noted in the building receipts section of the revenue activity.

At the high school, the Athletic Director is in charge of receipt collection for athletic events. For big ticket events, such as varsity football, the ticket sellers are escorted by a police officer into a secured office in the high school. After all sales are completed, the Athletic Director and one or two ticket sellers will count the money. The Athletic Director completes the pay-in order and fills out a deposit slip. The money is placed in a locked bank bag and placed into the building safe. Then the process follows the process noted in the building receipts section of the revenue activity.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Revenue Activity

(Continued)

Student Activity Receipts: The student activity advisors must submit a request for a fundraiser which details the proposed project to the building principal. The building principal will evaluate the request according to the School District's policy. If approved by the building principal, the building principal presents a list of proposed sales and activities to the School District Superintendent. The Superintendent reviews the policy and approves or disapproves. The approval or disapproval process is normally verbal from the School District Superintendent. The elementary, intermediate and junior high have not had student fund raisers for several years. The high school has only two student groups that request fund raisers, the student council and honors society. These two groups sponsor several student activities every year. These activities are limited to student dances for which the receipts generated are through ticket sales.

During the fundraising time period, the student activity advisor prepares a pay-in order and turns in any money received to the building secretary. The building secretary recounts the money collected and compares that to the advisor's prepared pay-in order. A deposit slip is prepared by the building secretary and at the end of the day the building secretary will take the deposit to the bank. The following day, the building secretary makes a copy of the pay-in order and deposit slip. Copies of both are given to the advisor. The pink copy of the deposit slip and a copy of the pay-in order is kept by the building secretary. The original pay-in order and yellow copy of the deposit slip is sent to the Treasurer's Office.

Receipts from Student Fees and Fines: The School District maintains and tracks student fees by using the student information system which is accessed through the School District's A-site. The system includes information for each student including the student's name, grade level, homeroom teacher, courses and other information. The master fee schedules are entered into the system which automatically adds the appropriate fees to each student based on the information entered for the student.

Elementary students are charged a flat fee based on their grade level. Junior high school students are charged fees based on their grade level as well as standard class fees. High school students are charged standard fees for certain classes, such as chemistry and home economics.

The School District also tracks book fines and other fines by using the student information system. The teacher or librarian sends a note to the building secretary notifying them of a student's fines. The building secretary will enter the student's fine amount into the student information system.

Middle school and high school students turn their fee/fine money into the building secretary or homeroom teacher. If turned into the homeroom teacher, the homeroom teacher turn the monies and documentation over to the building secretary. In the elementary schools, the students give fee/fine money to their teacher who turns it into the building secretary. In some cases, the student's parents will come in and pay the fee/fine to the building secretary.

Upon receiving the fee/fine money, the building secretary will enter the amount received into the student information system which updates the student's outstanding fees/fines balance. If the student requests a receipt, the building secretary can print out a fee/fine receipt from the system. For all of the School District's buildings, except the high school, student report cards are held until all fees are paid for each grading period. At the high school, the student's diploma and transcripts are withheld until the student pays all fees.



## Little Miami Local School District – Warren County

### Financial Accounting Report

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#### Revenue Activity

(Continued)

The School District has a pay to play fee of \$651 per student per activity. Payment is made to the coach by check, money order or payment through EZ pay, no cash is to be accepted by the coach. Upon receipt of a check or money order, the coach fills out the pay to play form and submits it and the payment to the Athletic Director. The Athletic Director prepares the pay-in order form and deposit slip and the money is turned over to the building secretary for safekeeping and deposit into the bank. On occasion, the athletic boosters will have fund raising events. If a student participates, any proceeds collected from the event will be allocated to the student(s) according to IRS regulations. The booster club will give the Athletic Director the check along with a list of students and the amount to be applied to each student. The Athletic Director keeps a spread sheet as to what is owed by each student until the full amount is paid at the start of the activity.

#### Cafeteria Receipts:

Students pay for breakfast or lunch with cash daily or they may prepay. If students choose to prepay, they bring their monies to the Kitchen Manager or cafeteria worker within their building serving as the cashier at the time they receive their meal or the parent may use EZ pay.

The School District maintains a database system 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 a pin number and the system differentiates between free, reduced and fully paid lunches. The students enter their pin number into a pin pad and the cashier enters the transaction into the system. If the student has prepaid their breakfast or lunch, the money is taken directly out of their account. If the student has not prepaid and is not eligible for a free lunch, the student gives their lunch money to the cashier.

The database system generates lunchroom reports which total meals served and monies collected. A cafeteria worker counts the cash collected and compares this to the system total and prints off a report. The Kitchen Manager counts the money and compares it to the amount on the lunchroom daily income report. The Kitchen Manager prepares a pay-in order and deposit slip and puts the deposit slip along with the monies in a locked bank bag. The Kitchen Manager takes the bank bag to the building secretary for safekeeping. The next day the runner will pick up all the bank bags and takes to the bank for deposit. Once the Kitchen Manager receives the previous days deposit slip. The yellow copy of the deposit slip and a pay-in copy are sent to the Treasurer's Office. The Kitchen Manager retains the pink copy of the deposit slip and a copy of the pay-in.

The Assistant Treasurer collects all of the deposit slips and paper clips them together. Each day the Assistant Treasurer reviews the bank statement online and verifies that the deposit amount on the deposit slip matches. Then at the end of each month the Assistant Treasurer will post the cafeteria receipts to the School Districts accounting software. All of the months deposit slips are put into an envelope and stapled to the receipt showing the posting of the cafeteria receipts.

The Food Service Supervisor uses the lunchroom system reports to complete Site Claim Form reports on the computer and submit them to the Ohio Department of Education for Federal and State meal subsidies.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Revenue Activity

(Continued)

#### Treasurer's Office:

Each building's daily receipts along with a copy of each handwritten receipt, pay-in order and the yellow copy of the deposit slip are placed in a locked bank bag. Once a day, the runner picks up the pay-in order form and deposit slips and brings them to the Treasurer's office. The Assistant Treasurer will post the receipts into the accounting software and prints off a receipt for each deposit and attaches the pay-in order form and deposit slip to the receipt. This receipt packet is filed numerically in the Treasurer's office.

The Treasurer's office receives State foundation, property tax allocations and most Federal and State monies by wire transfer to the School District's STAROhio account. Warren County does not make wire transfers for property taxes. The School District receives a check and a deposit slip is prepared. The Assistant Treasurer will give the deposit slip and check to the runner who takes it to the bank. On occasions the Assistant Treasurer will take the check to the bank. This deposit is placed into the School Districts general checking account.

The Assistant Treasurer reviews the online daily activity report from the Ohio Department of Education to verify that wire transfers have been received. The Assistant Treasurer identifies the proper account codes and prepares a receipt for each wire transfer. If the wire transfer is for a grant, the Assistant Treasurer will attach a copy of the Project Cash Report from the Ohio Department of Education's web site.

All mail received by the Treasurer's office, unless addressed to a specific person, is given to the Assistant Treasurer to open. The Assistant Treasurer removes the receipts and adds all checks and counts the cash and then fills out a deposit slip for the receipts.

Each day the Assistant Treasurer receives the pay-in order form and deposit slips from the various buildings. The Assistant Treasurer will post the receipts into the accounting software and print off a receipt slip. The pay-in order form and deposit slip are attached to the receipt slip and filed

Receipt of State Foundation: State Foundation monies are wire-transferred bi-monthly to the School District's STAROhio account from the Ohio Department of Education. The foundation settlement sheets and the PASS forms which identify the various sources of State aid are printed from the Ohio Department of Education's web page by the Assistant Treasurer. The amount of the wire transfer is compared by the Assistant Treasurer to the net amount listed on the foundation settlement sheet. Generally, foundation settlements include restricted and unrestricted receipts and tuition payments from other school districts. The Ohio Department of Education also deducts from each settlement pension contributions and tuition payments due to other school districts and community schools. The Assistant Treasurer prepares a receipt slip which lists the proper accounts for posting. The receipt slip details the revenue side of the foundation settlement and the deductions which are posted as memo expenditures. The foundation settlement sheets and the signed receipts are stapled together and filed in the Treasurer's office.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Revenue Activity

(Continued)

Receipt of Property Taxes: The Assistant Treasurer identifies the proper account codes for gross property tax receipts and deductions and prepares a receipt slip using information from the tax settlement sheet. The Assistant Treasurer verifies that the net property tax receipts on the tax settlement sheet match the amount on the check from the County Auditor. The gross property tax receipts and deductions are recorded in the general fund, bond retirement fund and permanent improvement fund. The tax settlement sheet and the signed receipt are all stapled together and filed in the Treasurer's office.

Receipt of Property Tax Allocations: Homestead and rollback checks are mailed twice a year to the School District. The Assistant Treasurer identifies the account codes for gross receipts and deductions and prepares a receipt slip using information from the tax settlement sheet. The homestead and rollback amount found on the tax settlement minus the amount deducted for administrative fees is compared to the check amount.

Other property tax allocations, including utility deregulation and tangible personal property loss reimbursements are received by wire transfer with student foundation payments. The Assistant Treasurer identifies the proper account codes for gross receipts and deductions using information from the tax settlement sheet. The Treasurer verifies that the net property tax allocations on the tax settlement sheet match the amount wire transferred through foundation.

Receipt of Grant Monies: The School District participates in various Federal and State grant programs. The Grant Coordinator enters the budget for each grant into the Ohio Department of Education's (ODE) website under the Comprehensive Continuous Improvement Planning (CCIP) System. The CCIP System is a unified grants application and verification system provided by the Ohio Department of Education. Monthly, the Treasurer reviews the FINSUM report, which is a summary of all fund activity and ending balances, and when cash is needed from a particular grant the Treasurer or Assistant Treasurer completes an on-line CCIP Project Cash Request.

The Treasurer checks the ODE website daily to view the CCIP grant monies that were wire-transferred to the School District's STAROhio account. 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 Assistant Treasurer can identify the grant proceeds. The amount wire-transferred per the Ohio Department of Education's website is also matched to the bank statement by the Assistant Treasurer.

Local grant monies are received in check form by the Treasurer's office. Then the process under the Treasurer's Office section of the revenue activity is followed.

Rental Receipts: The School District has not rented out their school building facilities for several years. The School District's athletic complexes are rented out. The process for renting the athletic facilities is managed by the Athletic Director. Once an application is received, the Athletic Director will make sure that school programs are given priority for use. After the activity is over the School District will invoice the renter for the event and subsequent hours used to clean the facility. The payment is made to the Athletic Director who prepares the pay-in order and deposit slip. Then the process under the Building Receipts section of the revenue activity is followed.

Receipts from Sale of Capital Assets: Monies from the sale of capital assets are usually received by the Treasurer or the Assistant Treasurer, typically in cash or check form. The School District has not sold any assets for several years. If the individual requests a receipt, the Treasurer or the Assistant Treasurer will prepare a handwritten receipt.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Revenue Activity

(Continued)

#### Auditor of State Comments

1. The School District only has a policy in place for revenues received from tax sources and revenues from investments. The School District should have a policy in place for all revenue streams that documents the procedures for the receipt and recording of all revenues. Once prepared, the policy should be given to all departments involved in the receipt and processing of revenues.
2. Cafeteria receipts are posted in a monthly lump sum amount at the end of each month. Cafeteria receipts should be posted at least on a weekly basis.
3. The School District should follow their policy on Student Activities Funds Management by presenting a report that presents monthly revenue and expenditures to the Superintendent and Board. Also, the School District Superintendent should provide approval or disapproval of student activities in written form.
4. The majority of the School District's buildings are making deposits within 24 hours of collection. However, there are times when the high school building secretary is holding deposits for more than one business day. A policy should be adopted by the Board following Ohio Revised Code Section 9.38 for the deposit of public funds.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Purchasing Process

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

### Statutory Requirements

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

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

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

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

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Purchasing Process

(Continued)

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

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

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

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

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

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

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

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Purchasing Process

(Continued)

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.

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

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

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Purchasing Process

(Continued)

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

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

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

### School District’s Purchasing Process

The Board has adopted formal policies for the purchasing process. Board policy states that all purchases that are within appropriated amounts and were originally contemplated within the budget may be made upon authorization of the Treasurer and Superintendent. The policies address procedures for receiving quotations and bids, awarding bids, issuing “Then and Now” purchase orders and issuing blanket purchase orders.

When goods or services are required at a school building, an employee talks to the building principal about this need for goods or service. The principal gives verbal recommendation if the employee provides the building secretary with the vendor, quantity and cost. The building secretary fills out a request for purchase order form and gives it to the principal. The principal signs the request and returns the form to the secretary. The building secretary enters all information from the requisition form into the system. The computer system will not allow a requisition for an amount which exceeds appropriations. An error message is displayed and the inputting is halted. Unless the item(s) is necessary to the educational program, it will not be purchased. If the item(s) is necessary, then the building principal will discuss the issue with the Treasurer. Once a week the Assistant Treasurer reviews the requisition report online and then prints off three copies of the purchase order. All three copies are given to the Secretary of the Fiscal Oversight Commission for review. The Fiscal Oversight Commission Secretary approves the purchase orders by initialing it. The three copies of the purchase order are then sent back to the building secretary. Once the goods are received, the building secretary attaches the packing slip and any other documentation to one copy of the purchase order and files the other copies in their office. The building secretary indicates the purchase order is approved to pay by initialing the purchase order or packaging slip and sends it along with the packing slip and/or invoice to the Treasurer’s Office. The Account Payable Clerk matches the purchase order to the invoice and inputs the information into the USAS system.

If the purchase order is over \$5,000 it must be presented at a Commission meeting and approved by the Commission before being signed by the Secretary of the Fiscal Oversight Commission. If the contract is over \$25,000 it must also be approved by the Board through resolution. Purchase orders are used for all purchases and contracts of the School District.



# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Purchasing Process

(Continued)

Contracts which exceed \$25,000 are given to the Treasurer to make the necessary arrangements for public bidding. At the bid opening, the Treasurer receives and records all bids. For building improvement contracts, the School District's architect reviews the bids and makes a recommendation to the Board. The Board, by resolution, awards the contract. When major contracts exist, the Treasurer prepares a 412 Certificate which certifies that the School District has sufficient revenue to support those contracts. For school bus purchase contracts, the Director of Support Services and the Superintendent review the bids and make a recommendation to the Board. The School District has not needed to issue purchase orders over \$25,000 that required bidding for the last two fiscal years. When feasible, purchases or contracts of \$10,000 but under \$25,000 that are purchased through the Treasurer's office are based on price quotations submitted by at least three vendors.

An active vendor list is maintained electronically by the Treasurer's office. New vendors are added to the system when necessary. The Treasurer, the Assistant Treasurer and Accounts Payable Clerk are the only individuals who can add new vendors to the system. For new vendors, the building principal fills out the name and address of the vendor on the requisition form. The Assistant Treasurer will also send an IRS Form W-9 to the vendor, requesting the vendor's taxpayer identification number. The vendor fills out the IRS Form W-9 and sends it back to the Treasurer's office. The Board has no policy for the addition of new vendors. In addition no policy exists as to who performs the search for findings for recovery from the Auditor of State's web site. The Assistant Treasurer performs this search, but no documentation is kept verifying the search was completed.

The Assistant Treasurer reviews the requisition for purchase orders online. After the Assistant Treasurer's review, a requisition report is ran and sent to the Assistant Treasurers' email which is forwarded onto the Treasurer for review. The Assistant Treasurer performs a mass conversion and the USAS system will automatically create a purchase order. The system automatically assigns a purchase order number as well as including the vendor information, goods ordered and appropriation expenditure line.

The School District purchases goods and services with "super" blanket purchase orders as needed. For the School District, "super" blanket purchase orders are used in areas such as home economic supplies, food service and transportation. Expenditures made against "super" blanket purchase orders are tracked by running a Transaction Ledger Report from the accounting system. The Transaction Ledger Report details the expenditures made against each purchase order and the amount remaining on the purchase order.

"Then and Now" purchase orders are prepared for purchases without prior approval. "Then and Now" purchase orders must be approved by the Board if greater than \$1,000 per the Board's policy. If they are less than \$1,000, the Treasurer has the authority to approve such purchase orders. However, the Treasurer only approves the use of "Then and Now" purchase orders if the purchase was necessary and appropriations are available. If not, the amount is not approved and the employee who initiated the purchase is responsible for the payment.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Purchasing Process

(Continued)

The Treasurer and Assistant Treasurer perform cursory reviews of outstanding purchase orders on a monthly or quarterly basis. During the review they look to see if a fund has exceptionally large encumbered balance or a very low unencumbered fund balance. If one of these situations appears they review the outstanding purchase orders to see if any need to be closed or whether invoices still exist on the purchase order. At fiscal year-end, the Treasurer reviews the open purchase orders to determine whether a purchase order should be closed or whether invoices still exist against the purchase order. At fiscal year-end, if invoices still exist against an existing purchase order, that purchase order will be carried over to the following fiscal year. Any unneeded purchase orders are cancelled along with the corresponding encumbrances.

### Auditor of State Comments

1. Section 9.24, Revised Code, prohibits any state agency or political subdivision from awarding a contract for goods, services or construction, paid for in whole or in part with State funds, to any person against whom a finding for recovery has been issued by the Auditor of State, if that finding is unresolved. The School District should keep documentation that this review has been performed.
2. The School District should adopt a policy that addresses vendor file requirements and how the School District adds new vendors.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Cash Disbursements

(Continued)

#### Administrative Code Requirements

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

#### School District’s Cash Disbursement Process

The building secretary has the responsibility to ensure that goods and services are received prior to payment. When the goods or services have been received, the building secretary at the building who receives the shipment of goods verifies the contents to the packing slip and the receiving order. If not all goods are received or incorrect items are received, the building secretary will contact the vendor and resolve the issue accordingly. Once the goods or services have been verified as received, the purchase order or invoice is signed or stamped and dated by the employee as OK to pay. The purchase order along with the packing slip or invoice is then sent to the Treasurer’s office.

The packing slip and purchase order waiting to be matched to the invoice is paper clipped together and filed alphabetically in a separate vendor file in the Treasurer’s office. When the invoice is received, it is filed alphabetically in a separate invoice file.

The majority of invoices are received directly by the Accounts Payable Clerk in the Treasurer’s office; however, occasionally some invoices will arrive at the school buildings. When this happens, the invoice will be sent to the Treasurer’s office. Upon receiving the invoice, the Accounts Payable Clerk will file the invoice in the vendor file alphabetically. The Treasurer’s office will not pay an invoice without a signed purchase order. If an invoice is wrong, the Treasurer will have the building principal investigate why there is a difference and the principal contacts the vendor to notify the vendor of the error. The error is then resolved accordingly. If an employee has purchased and received goods prior to a purchase order being completed a “Then and Now” purchase order is used. The Treasurer or Assistant Treasurer will contact the building principal to determine the reason the purchase was made and to receive approval for the purchase. After receiving the building principal’s approval, the Treasurer will complete a purchase order form and attach a “Then and Now” certificate. Board approval is required if the then and now purchase order is over \$3,000.

If the invoice amount exceeds the purchase order, the unwritten policy is to pay the invoice if it does not exceed the purchase order by 10 percent. The price difference is usually due to shipping costs that were not included in the purchase order. If the invoice exceeds the purchase order by 10 percent or more, the Treasurer will call the building principal and have them determine why the amount on the invoice is higher. If the discrepancy resulted from an error by the School District, the Treasurer will cross out the original total amount on the purchase order, write in the new total and initial the purchase order for approval.

The Accounts Payable Clerk enters the data that creates a voucher into the School District’s computer system by entering the purchase order number, invoice number and date of the invoice. The accounting system will populate the vendor, items purchased and invoice totals based upon what was recorded at the time the purchase order was created. If the payment is to be made on a blanket purchase order the Accounts Payable Clerk will also have to input the payable amount.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Cash Disbursements

(Continued)

In the majority of instances, payment is not made on a purchase order until all goods have been received. Once the remainder of the items are received, the signed purchase order is sent to the Accounts Payable Clerk who compares it to the invoice.

In rare instances, a partial payment will be made if all the goods are not received at the same time. This occurs if the School District has agreed ahead of time to make a partial payment to a particular vendor due to certain items being on backorder. In this case, the building secretary makes a copy of the purchase order and marks on the copy which items were received. The building secretary signs the copy of the purchase order and sends it to the Accounts Payable Clerk. The Accounts Payable Clerk follows the same steps discussed above for payment of the invoice.

Prior to printing the checks, the Accounts Payable Clerk runs an invoice report and verifies that the report matches the invoices. The Accounts Payable Clerk will then re-run the invoice report so that it's sent to her email which she forwards to the Treasurer for review.

Checks are normally printed every day the Accounts Payable Clerk works. The blank check stock paper and the Micr Toner Cartridge are kept in a drawer in the Treasurer's office, which is locked. The check stock paper is completely blank, not pre-numbered and not containing school name, account number or any other information. This information is printed on the checks through the system. The Accounts Payable Clerk uses a computer program to create and print the checks. The check printing program is user name and password protected. The Treasurer, the Assistant Treasurer and Accounts Payable Clerk have their own password access for printing checks. After the checks are printed the Accounts Payable Clerk reprints the checks on blue paper using regular toner ink. This copy does not include the Treasurer's signature or the bank account number. The checks are then put into the folding machine that folds and seals the check. The blue paper copy is matched with the invoice, purchase order and other supporting documentation. All voucher packets are filed numerically by check number in the Treasurer's office.

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

If a check is voided, the Accounts Payable Clerk handwrites "VOID" on the check. The voided checks are filed in numerical order in the Treasurer's Office. The Accounts Payable Clerk will also mark that a check was voided on the voucher packet. The voided checks are entered into the accounting system.

### Auditor of State Comments

1. The School District should document the procedures for cash disbursements including the staff positions and their functions. The document should also include procedures for when only partial orders are received and when an invoice exceeds the purchase order/fiscal officer certification of funds. The document should be kept on file in the Treasurers' office.

# Little Miami Local School District – Warren 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.

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

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

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

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing. The classified employees of the Little Miami Local School District are represented by the Ohio Association of Public School Employees Local Chapter #516.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Payroll Processing

(Continued)

The following additional code sections provide authority for appointment and compensation of officials and employees of a school district. Section 3311.19 and 3313.12, Revised Code, for school board member compensation and mileage; Section 3313.24, Revised Code, for compensation of school Treasurers; Section 3319.01, Revised Code, for appointment and duties of the superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other school administrators; 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 Processing Procedures

The Board has adopted formal policies for the payroll process regarding salary deductions and expense reimbursements. 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.

All full and part-time employees are compensated biweekly. There are approximately 352 full and part-time employees within the School District. The School District's pay period for all employees begins on Sunday and ends on Saturday, 14 days later. Employees are paid on Friday, one day prior to the pay period ending date. Any overtime or extra time earned during the pay period is paid in the following pay period.

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

All certified and non-certified employment applications are received and kept on file by the Treasurer's office. Recommendations for employment are made to the Board by the Superintendent and are recorded in the minutes by the Treasurer. The School District is working to update and maintain copies of all employee records, transcripts, licenses, and evaluations, financial data, such as withholding forms and other payroll related data. Information for each employee is kept in a personnel file in the Treasurer's office.

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Administrators: Administrators include the Superintendent, Principals, Treasurer, and Treasurer's office employees, Director of Student Services, Transportation Supervisor and assistant, Maintenance Supervisor, Food Service Director, EMIS Coordinator and two School Nurses. Individual administrative contracts are prepared by the Treasurer based upon contract provisions approved by the Board. The contract provisions establish the annual rate of pay, annual vacation days to be credited, and job duties and expectations for each employee. In addition, the contract provisions state the Board will provide the employee with a \$50,000 term life insurance policy and all other benefits at least equal to those provided for certified staff. For the Superintendent and Treasurer, the contract provisions state the Board will provide a life insurance policy that is two and a half times the Superintendent and Treasurer's salary. The contracts are reviewed and approved by the Board. Contracts for the Superintendent, Treasurer and Principals typically run from August through July of the subsequent year or years. Contracts are paid over twenty-six pays. The signed contracts are kept on file in the Treasurer's office.

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Little Miami Board of Education and the Little Miami Teachers Association. The present negotiated agreement covers the period July 1, 2011 through June 30, 2012. The negotiated agreement established 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.

Individual teacher contracts are prepared by the Warren County Educational Service Center from the information provided by the Payroll Clerk. The payroll clerk submits a spreadsheet to the Warren County Educational Service Center with all of the appropriate information needed to create the contract. The employee receives two copies of the contract, one copy is to be signed by the employee and returned to the Treasurer's office and the other copy is for the employee's records. The contracts are approved by the Board and signed by both the Treasurer and the Board President. The contracts are kept on file in the Treasurer's office. The teachers' contracts are normally distributed after the start of the current school year. Salary notices are created by the Warren County Educational Service Center and are mailed out to the employees on July 1. If employees disagree with the contract amount on the salary notice, they can contact the Treasurer's office to resolve the issue.

The Payroll Clerk manually enters the contract amounts into the payroll system. The payroll system calculates the amount to be paid to each employee over twenty-six pays. The payroll clerk uses the spreadsheet to make sure that employees are being paid correctly. This is also used to balance certified payroll.

For any change that results in a pay schedule adjustment, the teacher is required to contact the Treasurer's office. The Treasurer's office requires the teacher to provide a copy of their transcript to support the change. After receiving support for the change, the payroll clerk will update the employee's contract amount in the payroll system on two designated dates, September 15<sup>th</sup> or January 15<sup>th</sup>. If an employee has a change but doesn't bring in the information until September 16<sup>th</sup>, the pay schedule adjustment will not take effect until January 15<sup>th</sup>. The payroll system calculates the amount to be paid to each individual over the remaining pays for the calendar year.

Classified Employees: Salaries and benefits for custodians, bus drivers, mechanics, cafeteria workers, maintenance, kitchen manager, and secretaries are governed by a contract negotiated between the Little Miami Local School District and the Ohio Association of Public School Employees Local Chapter #516. The present contract covers the period from July 1, 2011 through June 30, 2012.



# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Payroll Processing

(Continued)

The contract sets forth the hourly rates for classified positions. The contract also sets forth the sick leave accrual amount, and the amount of vacation and personal leave to be credited annually. In addition, the contract defines overtime at one and a half times the employee's regular rate. Employees are considered full time if they work 3.6 or more hours per day.

As per negotiated agreement, classified employees are hired and are sent salary notices each year. Classified employees receive salary notices on July 1<sup>st</sup> of each year stating their hourly rates and job position.

The procedures for preparing and mailing out the salary notices as well as entering the salary amounts into the payroll system are the same as those described for certified.

Each classified employee fills out and signs an individual timesheet. The classified timesheets are used only to verify that employees actually worked their regular hours. Each timesheet includes the employee's name, position and the hours worked each day in a two week pay period. The timesheet is then submitted to the employee's supervisor. The employee's supervisor reviews the timesheet and signs it. The supervisors also summarize the payroll and verify that all information is correct. The supervisor signs the summary sheet and forwards the summary sheet and individual timesheets to the Payroll Clerk in the Treasurer's office. The Payroll Clerk reviews the timesheets and verifies their mathematical accuracy as well as matches any time marked as leave to an approved absence report. The Payroll Clerk resolves any discrepancies found on the timesheet with the supervisor and the employee prior to processing.

Overtime: Overtime earned by classified employees is paid in the pay period 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. Overtime is recorded on individual timesheets. All overtime has to be approved by the employee's supervisor each pay period. The Payroll Clerk verifies the mathematical accuracy of the timesheets and enters the overtime amount for each employee into the payroll system.

Other Employees: The Treasurer takes a roll call at every Board meeting and marks down the board members in attendance. The Payroll Clerk uses the board attendance on the meeting minutes to calculate and enter payroll for the board members. The board members are paid twice a year, once in June (for meetings in January through June) and once in December (for meetings in July through December). Board members are paid \$125 per meeting.

Supplemental: The Warren County Educational Service Center is responsible for preparing supplemental contracts for Little Miami Schools. The Board approves the supplemental contracts before they are mailed to employees. All supplemental contracts for each group (fall, winter and spring sports) are paid twice. Fall sports are paid in September and November, winter sports are paid in December and March, and spring sports are paid in April and June. The last check for each group is held until after the contracted duties are completed. Academic teams and year-long supplemental contracts are paid in January for the first half of the year and in June for the second half of the year.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Substitutes: Certified substitutes use an Automated Substitute Placement and Absence Management system (AESOP) to manage filing absences of staff. AESOP is a web based system that teachers use to register planned absences. A teacher will post when he/she will be out and approved substitutes can monitor the website and post when they want to fill in for the absent employee. A list of approved substitutes are managed through the Warren County Educational Service Center. Teachers and approved substitutes are given a pin number to have access to the AESOP website. Once absences are reported and substitutes are in place, the Treasurer's office runs a report that shows who is absent for the day and who covers for that individual. The building secretaries also print the list each day and all substitutes are required to sign in. At the end of each week, each building principal signs off on the list. The Payroll Clerk receives these reports and enters this information into the payroll system. Substitute teachers are paid a daily rate and are used as needed.

Withholdings: A new employee packet is given to new employees to be completed, signed, and returned to the Treasurer's office. This packet includes a payroll information form, direct deposit authorization form and various tax and retirement forms. The Treasurer's office enters the information into the payroll system. If employees need to change any of the information on these forms they can obtain the appropriate form from the Treasurer's office. Withholding and various deduction forms are maintained in the Treasurer's office. Federal and State employee withholding deductions are made by ACH payments. Local employee withholding deductions are paid by budgetary check.

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

Leave: Vacation and personal leave is credited annually as indicated in the respective certified and classified negotiated agreements or in each administrator's contract. Although established by negotiated agreements, all employees currently receive the same amount of sick leave which is accrued monthly at a rate of 1.25 days for each calendar month. Vacation, personal, and sick leave usage is posted in the payroll system by the Payroll Clerk every pay according to the amount of time recorded on the AESOP report and timesheets.

Vacation, personal or professional leave is approved by the employee's immediate supervisor in advance. Leave requests for classified employees are put into AESOP and once this information is inputted an email is sent to their supervisor. Supervisors are required to go into the kiosk and approve the leave, and once approved an email is returned to the employee stating the approval. All approvals are done in the system. Leave balances for certified employees are entered into AESOP and approved by the principals at each building.

Sick leave is not required to be requested in advance. Certified employees, secretaries and aides use the AESOP system and bus drivers and custodians enter their information into the kiosk and contact the department supervisor to report off sick.

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. The Treasurer's office mails the employee share to STRS and SERS.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Payroll Processing

(Continued)

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

Other Employee Benefits: The School District provides medical, vision, and dental benefits to all full-time employees administered through Anthem, Anthem Blue View Vision for Certified employees and AFSCME Vision for Classified employees, and Dental Care Plus for dental insurance. All certified employees are required to pay 10.0 percent of the monthly health care premium. All classified employees who work more than 3.5 hours a day are considered full time and are required to pay 10.0 percent of the monthly premium. All classified employees who work 3.5 hours or less a day are required to pay 50 percent of the monthly health care premium. Vision insurance is provided to certified and classified employees. All certified employees pay 40 percent of the premium, while classified employees pay 50 percent of the premium for vision insurance. Dental insurance is also provided to full time certified and classified staff with the employee share being 5 percent of the monthly premium. All part time classified staff are required to pay 50 percent of the monthly dental insurance premium. Life insurance benefits are provided through The Hartford. The Board provides each full-time and part-time employee with term life insurance of \$50,000. The Superintendent and Treasurer each get 2.5 times their salary for life insurance. The Board also provides employees that are 65 and older \$2,000 for deductibles. These employees are not allowed to have health savings accounts with insurance so a 125 employee bank account is used to track these employees and their usages of the deductible by a third party administrator.

Payroll Deductions: Payroll deductions for medical, vision, dental and life insurance benefits are processed through the payroll system. The School District pays the employer portion by processing a budgetary check. The employee portion withheld from the employee's paycheck is sent with the Board share check to the appropriate insurance vendors to pay the invoices. The Assistant Treasurer is responsible for the preparation of the documentation for the payments of medical, vision, dental and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Assistant Treasurer.

Severance: The School District offers severance pay upon retirement to its certified and classified employees who are eligible to retire under the provisions set by STRS or SERS. Severance pay to certified employees is calculated based on the number of accumulated unused sick leave at 25 percent of the value up to a maximum of 66 days times the employee's daily rate. Payments to classified employees retiring from the School District are equal to the employee's daily rate times one fourth of their unused sick leave, not to exceed 55 days paid.

Payroll Preparation: Access to the payroll system is password protected. The Treasurer, Assistant Treasurer and the Payroll Clerk have full access to the payroll system.

All payroll information must be received by Friday morning following the end of the pay period. Overtime and extra time from the previous pay period is entered into the payroll system by the Payroll Clerk. Once all payroll information is entered into the system, the payroll is ready to be processed.

## Little Miami Local School District – Warren County

### Financial Accounting Report

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#### Payroll Processing

(Continued)

The first report run is the bi-weekly report called INICAL. The INICAL lists the total regular employee bi-weekly payroll prior to exceptions (stipends, certain supplementals, miscellaneous pays, etc.) The next payroll report generated is a distribution proof listing called PAYSUM which details out the gross payroll by individual employee. The Payroll Clerk will review this report and check for any unusual entries and make any necessary corrections.

The next step is to run the CALCPAY program which generates four reports, the PAYRPT, DEDTOT, the CALCERR, and the BUDPRO. The PAYRPT details the gross payroll and deductions by individual and pay group. The DEDTOT lists all payroll deductions including STRS and SERS deductions. The CALCERR lists items that are unusual and may need further attention. This report is reviewed by the Payroll Clerk for any errors. The BUDPRO details the gross payroll by budget account. The Payroll Clerk reviews this report to verify there are no errors in the payroll coding.

Payroll checks are printed in the Treasurer's office no later than the Wednesday of every pay week. The blank check stock paper is kept in a file cabinet in the Treasurer's office. The check stock paper is completely blank, not pre-numbered and not containing school name, account number or any other information. This information is printed on the checks. All payroll checks are signed electronically through the printer. The Payroll Clerk uses a computer program to create and print the checks.

Prior to printing the payroll checks and electronically submitting the direct deposits, the Payroll Clerk reviews the payroll to look for errors. The payroll clerk will check to see that the employee pay rates are correct and that overtime and extra time hours have been entered correctly.

The Payroll Clerk prints the payroll checks and generates direct deposits the data using the CHKPRT program. Direct deposits are submitted electronically to the bank by Wednesday. After submitting the direct deposits, the information goes through Southwest Ohio Computer Association (SWOCA) and SWOCA will then send the information to Fifth Third Bank. The Payroll Clerk calls in the information to the bank to submit the direct deposit amount and then she goes to the bank and wires the money. The Assistant Treasurer transfers money online from LCNB Bank to Fifth Third Bank to cover the direct deposits. Once this is done a confirmation is printed.

Direct deposit is not mandatory for all employees. A small amount of individuals receive paper checks and are signed at the time of printing with an electronic check signer as part of the printing process. When school is in session, the paper checks are sent to the department or building where the employee works by the Payroll Clerk. During the summer, the paper checks are picked up by employees in the Treasurer's office.

Employees who utilize direct deposit receive their pay stub through email notification. Emailed pay stubs are usually sent to employees on Friday of the payroll week.

Payroll checks and direct deposits are posted to the payroll system and general ledger system by running the CHKUPD program. Appropriate deduction checks are printed and posted to the payroll system and general ledger system by running the DEDRPT and PAYDED.

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Payroll Processing

(Continued)

Internal Revenue Service W-2 forms are processed before the end of January of the new calendar year. W-2 forms are distributed to all employees by the end of January. All W-2 information is submitted electronically to the IRS through the School District's A-site, SWOCA.

### Auditor of State Comments

1. The procedures used to process payroll should be documented and on file in the Treasurer's office. The procedures should address duties, processes, segregation of duties involving the payroll process, and include lost check procedures, and employee hiring and termination procedures.
2. Secured employee files maintained in the Treasurer's Office and Human Resources Officer did not contain all required documents or information. The School District has been working to update the employee files and should continue to do so.
3. The Treasurer/Assistant Treasurer currently does not review and sign off on any payroll reports. The Treasurer/Assistant Treasurer should be reviewing payroll reports for obvious errors, reasonableness and unusual deductions. The Treasurer/Assistant Treasurer should sign the report after reviewing it.
4. The Treasurer/Assistant Treasurer should verify that employee pay rates entered by the Payroll Clerk are correct according to the salary notices and salary schedules. The Treasurer should also verify that employees are being paid from the correct fund and function.
5. Contrary to Sections 9.10 to 9.14, Revised Code, the School District uses a rubber stamp on salary notices. This signature stamp is the signature of the Superintendent and Treasurer that is used by employees in the Treasurer's office. Each salary notice should be signed manually by the Superintendent and Treasurer.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Debt Administration

#### Description of an Effective Method of Debt Administration

The issuance of debt is strictly controlled by State statute. Before 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

Debt issuances are approved by the Board through resolution. The Board resolution identifies the purpose of the debt, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

The Treasurer or Assistant Treasurer matches all bills received for debt to the appropriate amortization schedules to ensure that the correct debt payments are made. Debt payments are all made by wire transfers from the bank. Both the Treasurer and Assistant Treasurer have access to transfer money for debt payments. All debt documents and amortization schedules are kept on file in the Treasurer's office.

# Little Miami Local School District – Warren County

## Financial Accounting Report

### Debt Administration

(Continued)

The amount of the School District's outstanding debt at June 30, 2011 consists of the following:

Debt	Interest Rate	Outstanding 6/30/2011
Series 2005 School Improvement Refunding General Obligation Bonds		
Current Interest Bonds	3.50%	\$6,050,000
Capital Appreciation Bonds		2,724,968
Accretion on Capital Appreciation Bonds		1,240,446
Premium on Bonds		399,134
<i>Total Series 2005 School Improvement Refunding General Obligation Bonds</i>		<u>10,414,548</u>
Series 2006 School Improvement Bonds		
Current Interest Bonds	5.14%	25,051
Capital Appreciation Bonds		6,624,938
Accretion on Capital Appreciation Bonds		1,696,187
<i>Total Series 2006 School Improvement Bonds</i>		<u>8,346,176</u>
Series 2007 General Obligation Unlimited Tax Refunding Bonds		
Current Interest Bonds	4.64%	42,600,001
Capital Appreciation Bonds		2,164,948
Accretion on Capital Appreciation Bonds		1,131,341
Premium on Bonds		2,896,439
(Deferred Amount)		(1,604,606)
<i>Total Series 2007 General Obligation Unlimited Tax Refunding Bonds</i>		<u>47,188,123</u>
Series 2011 School Improvement Unlimited Tax General Obligation Bonds		
Term Bonds	6.88%	5,980,000
School Energy Conservation Improvements Bonds	3.50%	3,345,000
2008 OASBO Field Turf Lease	4.06%	650,000
2009 Welsh Road Lease	3.99%	410,000
2010 State of Ohio Solvency Assistance Advance	0.00%	5,071,000
2011 State of Ohio Solvency Assistance Advance	0.00%	5,952,000
<i>Total Debt</i>		<u>\$87,356,847</u>

During fiscal year 2005, the School District advance refunded \$15,759,968 in School Improvement Refunding General Obligation Bonds that were originally for the purpose of new construction, improvements, renovations, and additions to school facilities, including the construction of a new high school, and providing equipment, furnishings and site improvements. The bonds will be retired from the debt service fund and will mature in fiscal year 2016.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Debt Administration

(Continued)

During fiscal year 2006, the School District issued School Improvement Bonds through the vote that were for the purpose of financing a portion of the cost of new construction, improvements, renovations, and additions to school facilities, the acquisition of real property and providing equipment, furnishings, transportation equipment, communication technology improvements and site improvements. The bonds will be retired from the debt service fund and will mature in fiscal year 2020.

During fiscal year 2007, the School District issued \$50,826,447 in General Obligation Unlimited Tax Refunding Bonds with an interest rate of 4.64 percent of which \$47,199,949 was used to partially advance refund an outstanding 2006 School Improvement Bonds with an average interest rate of 5.14 percent. The bonds will mature in fiscal year 2034 and will be retired from the debt service fund.

During fiscal year 2011, the School District issued \$5,980,000 in School Improvement Unlimited Tax General Obligation Bonds with an interest rate of 6.88 percent. The bonds were issued for the purpose of new construction, improvements, renovations and additions to school facilities, the acquisition of real property, providing equipment, furnishings, transportation equipment, communication technology improvements and site improvements. The bonds will mature in fiscal year 2034 and will be retired from the debt service fund.

During fiscal year 2008, the School District issued \$3,890,000 in School Energy Conservation Improvements Bonds with an interest rate of 3.25 percent to 5.00 percent. The bonds were issued for construction on various energy conservation improvements in the School District. The bonds will mature in fiscal year 2018 and will be retired from the permanent improvement fund.

During fiscal year 2008, the School District entered into a lease-purchase agreement with Columbus Regional Airport Authority for the acquisition and installation of athletic field improvements in the amount of \$805,000. The lease will mature in fiscal year 2018 and will be paid from permanent improvement fund.

During fiscal year 2009, the School District entered into a lease-purchase agreement with Ohio Association of School Business Officials for improvements over Salem Elementary School and transportation garage for \$612,000. The lease will mature in fiscal year 2018 and will be paid from the permanent improvement fund.

During fiscal years 2011 and 2012, the School District received Solvency Assistance Fund Advances from the State of Ohio in the amount of \$5,071,000 and \$5,952,000, respectively. The Solvency Assistance Fund advances money to school districts that are in fiscal emergency or that have suffered an unforeseen catastrophic event. The fiscal year 2011 advance will be repaid during fiscal years 2012 and 2013 by deducting equal semi-monthly amounts from the State Foundation settlement. Once the fiscal year 2011 advance is repaid, the School District will continue deducting semi-monthly amounts from the State Foundation Settlement for fiscal years 2014 and 2015 to pay off the fiscal year 2012 State Solvency Advance.

### Auditor of State Comments

None.



# Little Miami Local School District – Warren 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, 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 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.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(Continued)

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

The Board has adopted a formal policy regarding capital assets and inventory. The Board policy defines capital assets as those tangible assets of the School District with a useful life in excess of five years and an initial cost equal to or exceeding the amount of \$5,000. However, the School District's latest financial report states the School District maintains a capitalization threshold of \$2,500.

The policy further requires the School District to maintain a capital assets accounting system. The capital assets accounting system is to provide sufficient information to permit the preparation of fiscal year-end financial statements in accordance with generally accepted accounting principles (GAAP), determine adequate insurance coverage and provide control and accountability. The policy also states that the Treasurer shall conduct a complete inventory every five years by physical count of all School District-owned equipment and supplies. Also, the policy states that a physical inventory of supplies is to be taken at the building level at the close of each school year or no later than the second Friday in June of each year. The last physical inventory to verify the existence of capital assets is unknown; however, the annual physical inventory of supplies is done yearly near the end of the school year as per the policy.

The School District maintains capital assets through the electronic inventory system as part of the State software package. The Accounts Payable Clerk verifies and inputs additions and deletions, and runs electronic inventory system reports to be used for GAAP reporting. Controlled assets that do not meet the criteria for capitalization, but are inventoried because of their vulnerability to theft, such as audio-visual and certain computer equipment, are also tagged.

The kitchen managers perform a physical inventory of materials and supplies at the end of each month. The food service supervisor receives these inventory sheets monthly and reviews them for accuracy. Once verified, the food service supervisor sends the inventory sheets to the Treasurer at fiscal year-end.

Additions: New capital assets are tagged when received as part of the accounts payable process. EIS Reports are generated by the 600 object code. The Account Payable Clerk then chooses to capitalize these items if they meet the criteria.

Obsolete Items: The Superintendent and staff will identify an item as obsolete and submit it to the Treasurer's office for final action. The Treasurer then presents the listing of obsolete assets to the Board. Once approved, the Treasurer's office will make the necessary adjustments to the capital inventory when the item is disposed. The School District has not disposed of any assets in the last three years.

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

Lost or Stolen: Lost or stolen items are reported and documented with the local police department and are then deleted from the inventory listing.

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

(Continued)

#### Auditor of State Comments

1. The Board policy states a capitalization threshold for capital assets; however, the School District uses a lower value within the capital assets accounting system. The School District should review and update their capitalization threshold and policy. The Board should approve changes in capitalization thresholds by resolution. The School District should set the capitalization threshold at a level that accounts for the majority of capital assets.
2. The capital asset policy should be expanded to address useful lives of capital assets, 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.
3. The capital asset policy requires the School District to conduct a complete inventory every five years by physical count of all School District-owned equipment and supplies. OMB Circular A-110 (2CFR section 215.34) requires equipment purchased through Federal funds to have a physical inventory at least once every two years and reconciled to the equipment records. The Board should update and approve policy changes over the physical count, and the Treasurer should track the physical inventory counts.

# Little Miami Local School District – Warren 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 subdivision.”

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

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

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

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

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

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Cash Management and Investing

(Continued)

#### Federal Requirements

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

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

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

#### The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer and the Assistant Treasurer. The Assistant Treasurer reconciles the treasury with the accounting records. The Assistant Treasurer is responsible for the transfer of cash among the various bank accounts. The Assistant Treasurer will transfer money between the accounts with Lebanon Citizens National Bank (LCNB). LCNB is used for the general checking account, payroll checking account and the athletic account. The Assistant Treasurer transfers money from the general checking to the payroll account to cover payroll expenses and from the general checking to the athletic account for the payment of sports officials and referees. The Treasurer is responsible for the transfer of cash among investing activities and various bank accounts. The Treasurer transfers money between STAROhio, Fifth Third Bank and LCNB. Currently the Assistant Treasurer does not have electronic access to STAROhio or Fifth Third Bank. Once the Assistant Treasurer reconciles the general checking account, this information is saved on a shared drive for review by the Treasurer. The School District maintains a general checking account, a payroll clearing account, an escrow account, a building fund account, an employee section 125 custodial account, a STAROhio investment account, an athletic petty cash account, and three certificates of deposit with First National Bank.

The Lebanon Citizens Bank checking account receives wire transfers and daily deposits for the Little Miami Local School District. Checks are written against this account for the daily operations, other than payroll, of the School District.

The Assistant Treasurer reconciles the bank accounts each month. To identify outstanding checks, the Assistant Treasurer enters into the accounting system the check numbers that cleared the bank per the bank statement on a daily basis and then runs an outstanding check register report at the end of the month. Any discrepancies are noted on the monthly cash reconciliations. The Treasurer reviews this reconciliation and includes it as part of the financial information packet that is presented to the Board.

Voided general operations checks have void written on them by the Assistant Treasurer or the Accounts Payable Clerk. The voided checks are filed in a folder in numerical order and placed in a file cabinet.

## Little Miami Local School District – Warren County

### Financial Accounting Report

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#### Cash Management and Investing

(Continued)

The Board 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. The only investments the School District holds are the STAROhio account and certificates of deposit.

The School District does have an petty cash athletic checking account with LCNB. The School District does have a petty cash account policy that addresses the following: The amount of money to be placed in the account (\$2,000), money can be drawn on the account by check or debit card, and the Treasurer designates who can use the account as well as procedures and requirements for replenishing the account. The athletic checking account is used for the purpose of paying sporting officials, team entry fees, tournament fees, and referees. The athletic director issues a check upon receiving proof of services rendered. Per discussion with the Treasurer, this bank account is to be closed out by the end of April 2012.

#### Auditor of State Comments

1. The School District does have an approved petty cash policy; however, the athletic fund account has been replenished at \$5,000 when the policy states \$2,000. The School District plans to close out the athletic petty cash fund bank account by the end of April 2012.

# Little Miami Local School District – Warren 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 117-9-03(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 software provided by the SWOCA which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports which are kept on file in the Treasurer's office.

During the monthly Board meetings, the Board members receive a Treasurer's Report and Recommendations packet which includes an appropriations summary (appropriations, encumbrances, and remaining balance), financial revenue report (monthly and fiscal year-to-date (receivables and receipts), and revenue account summary (monthly and fiscal year-to-date actual receipts) for the general fund. The Treasurer also provides a financial report (monthly and fiscal year-to-date expenditures and encumbrances) for the general fund, bond retirement fund, school improvement fund, building fund, and food service fund. Other financial reports are given according to requests 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 within 150 days of the end of the fiscal year or, if unable to meet the deadline, an extension is requested. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members.

The School District failed to publish a notice of the availability of the financial statements in the local newspaper. 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 office.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Financial Reporting

(Continued)

#### Auditor of State Comments

1. Section 117.38, Revised Code, 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.
2. The Treasurer provides a financial report (monthly and fiscal year-to-date) that includes the general fund, bond retirement fund, school improvement fund, building fund, and food service fund. The Treasurer should provide this report on all funds to more effectively monitor cash flow for the School District.



# Little Miami Local School District – Warren 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 typically holds their regular monthly meetings on the third Tuesday of each month. The Board receives an informational packet usually on the Friday before their scheduled meeting. The Treasurer takes notes during the Board meetings. From those notes the Treasurer prepares the minutes of the meeting, which are then typed by the Administrative Assistant and assembled in the minutes binder. 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 President of the Board and the Treasurer. Typed minutes kept in binders in the Treasurer's office are also available on the School District's website.

# Little Miami Local School District – Warren County

## Financial Accounting Report

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### Recording Official Proceedings

(Continued)

#### Auditor of State Comments

The Board states it uses resolutions for passing of many items. Resolutions for the approval of the tax amounts and approval of levies for the ballot use the formal requirements. The Board should obtain guidance from legal counsel to ensure that resolutions are properly referenced and used when required by statute, and that the resolutions are in proper legal form and signed by the appropriate officials.

## Little Miami Local School District – Warren 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 Little Miami 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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# Dave Yost • Auditor of State

LITTLE MIAMI LOCAL SCHOOL DISTRICT

WARREN 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  
MAY 15, 2012