



Dave Yost • Auditor of State

**Monroe Local School District
Butler County, Ohio**

Report on Accounting Methods

Local Government Services Section

**Monroe Local School District
Butler County
Report on Accounting Methods**

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CERTIFICATION

On May 9, 2012, the Monroe 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 Monroe Local School District.

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

March 27, 2014

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Monroe Local School District – Butler County

Financial Accounting Report

Purpose

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

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

Monroe Local School District – Butler County

Financial Accounting Report

Governance Overview

Monroe 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 May 9, 2012, 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 Monroe Local School District. Under Section 3316.06(A)(2) of the Ohio Revised Code, the Commission is to specify the level of fiscal and management control that the Commission will exercise within the School District during the period of fiscal emergency and enumerate respectively, the powers and duties of the Commission and the duties of the Board during that period.

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

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

Monroe Local School District – Butler County

Financial Accounting Report

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 September 12, 2012, and includes the power to approve contracts entered into by the Monroe 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 Board.

Monroe Local School District – Butler County

Financial Accounting Report

Budgetary Process

Description of an Effective Budgetary System

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

Statutory Requirements

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

Tax Budget: Prior to January 15, 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.

Monroe Local School District – Butler County

Financial Accounting Report

Budgetary Process

(Continued)

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

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

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

Monroe Local School District – Butler County

Financial Accounting Report

Budgetary Process

(Continued)

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

Monroe Local School District – Butler County

Financial Accounting Report

Budgetary Process

(Continued)

School District's Budgetary Process

The School District's formal policies regarding the budgetary process provide that annual appropriations shall be adopted and approved by the Board. The Board adopts as part of its annual appropriation measure a spending plan setting forth a five year projection of revenue and expenditures of the general fund. The appropriation measurer shall be adopted at the fund level for all funds. According to policy, the Treasurer is required to report any occurrences of non-compliance with Ohio Budgetary Law and the correction action plan needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board. Also, under appropriations implementation policy, a listing of expenditures, appropriate financial reports, and budget comparison reports shall be submitted monthly to the Board to keep members informed as to the status of the appropriations and overall financial condition of the School District.

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 2014 was adopted by the Board on January 14, 2013. Once the budget is adopted, it is filed with the Butler 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 25, 2013, 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 2014.

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 24, 2013, 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. Permanent appropriations measures are normally approved in September of the fiscal year. Fiscal year 2013, permanent appropriations were approved on September 24, 2012.

The Treasurer prepares appropriations based upon prior years' history and currently known facts. The Treasurer compares appropriations to estimated resources to ensure that all budgetary compliance is followed. 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 two to three weeks, 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.

Monroe Local School District – Butler County

Financial Accounting Report

Budgetary Process

(Continued)

All Board approved temporary and permanent appropriations are entered into the computer system after they are passed by the Board. If additional or new appropriations are passed, the amounts are entered into the system by the Treasurer. The Treasurer compares estimated revenues and appropriations to actual revenues and expenditures on a monthly and cumulative basis.

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 Treasurer's office with the documentation that was used to prepare the forecast.

Auditor of State Comments

None

Monroe Local School District – Butler County

Financial Accounting Report

Revenue Activity

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

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

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

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, monies shared with the City of Monroe (Tax Increment Financing and Residential Improvement District Financing), State Foundation program revenues, and Federal and State grants (both of which are remitted to the School District from the Ohio Department of Education). The School District also collects student fees and admissions for athletic events at the various school buildings and charges for school lunches served in their cafeterias. Monies are received by the School District via electronic transfer and through various cash collection sites throughout the School District. All employees that handle money are bonded by a blanket policy. The Treasurer is individually bonded.

Monroe Local School District – Butler County

Financial Accounting Report

Revenue Activity

(Continued)

Building Receipts:

Various employees handle receipts at the three school buildings. Athletic receipts are turned into the Athletic Director. Student activity receipts are turned into the student activity advisors who turn over receipts to building secretaries. School fees/fines are turned into the building secretaries. The daily receipts are secured in a safe or locked drawer.

At the Junior/Senior High School (grades seven through twelve), the building secretaries collect tuition fees, fines, student activity expenses, and parking permit fees. When a building secretary collects money, the building secretary gives the student or parent a hand-written receipt. The receipts come in triplicate and have the name of school at the top, but are not pre-numbered. A copy of the receipt is kept on file by the building secretary. At the end of each day, a building secretary counts all monies received, prepares a deposit slip, and takes the deposits to the bank. If a student payment comes in after the building secretary has prepared the bank deposit, a building secretary may keep a check in the combination safe in the building, but a building secretary will adjust the deposit if cash is received.

For the Junior/Senior High School, a building secretary takes all bank deposits to the bank. At the bank, a building secretary receives a receipt of deposit. This receipt of deposit from the bank is copied by a building secretary as well as a copy of the deposit ticket, the revenue tally sheet, a R1-11 report from Dazzle software (student fees software system) that lists the fees that the money paid, and any supporting documents including copies of receipts, if applicable, are sent to the Treasurer's office through interoffice mail. A building secretary keeps a copy of all the documents sent to the Treasurer's office. Once a building secretary receives an electronic receipt from the Treasurer's office for the deposit, this electronic receipt is attached to a building secretary's supporting documentation. A building secretary keeps the copies of these receipt documents for four years.

In the Elementary School (grades two through six), the building secretaries accept payments for field trip expenses, fees, cafeteria expenses, and library fines. Teachers may collect money and send it down in the morning folders. The morning folders are brought down to the office by either students or the teachers. One of the building secretaries goes through the folders and separates everything in the folder (various paperwork, payments, etc.). To determine the purpose of the payment, the building secretary can look at a check's memo line, the outside of a sealed envelope, or the fees as listed in the Dazzle software. Deposits are not typically made daily, except when field trips monies are received. For payments made to the cafeteria, the building secretaries typically put this money into an envelope and label it with the student's name. Then, one of the building secretaries will transport this money to the cafeteria for processing. The secretaries do not count the money or give the student or parent a receipt before it is sent to the cafeteria cashiers. The cashiers do not give anything to the secretaries in return as to how much they have received. Also, fines for the library are similar in that the secretaries may collect the money, but the building secretaries do not count it or issue receipts. Building secretaries simply transport those payments to the librarian, who can process them against the fines due. However, the librarian prepares the deposit ticket for any fines collected and gives this to a building secretary, who takes it to the bank. A building secretary does not recount the deposit for the library fees before the deposit is taken to the bank. Once deposited, a copy of the deposit receipt is brought back to the librarian.

Monroe Local School District – Butler County

Financial Accounting Report

Revenue Activity

(Continued)

Fees collected at the Elementary School are typically collected and processed by one building secretary, while the other secretary prepares the bank deposit. Both building secretaries can accept payments; however, it is more common for payments to be received by the one near the sign-in sheet. The building secretaries consistently ask if the parents or students want a receipt. On request, a hand-written receipt is prepared and given to student/parent or statement from Dazzle system that lists the student's outstanding balance as receipt for payments made. Throughout the day, all money received is kept in a combination safe in the office. The two building secretaries and the principal have access to this safe. At the end of the day, the first building secretary will generally prepare a revenue tally sheet for all receipts, as necessary, and give it and the received money to the other building secretary. The second secretary then double checks the cash deposit, and writes out a deposit ticket. A copy of the deposit ticket and the revenue tally sheet is sent through interoffice to the Treasurer's office, and the originals are kept at the Elementary School.

For the Primary School (grades pre-Kindergarten through first), the building secretaries collect school fees for kindergarten and first grade, tuition for preschool, cafeteria expenses, book fair expenses, field trip costs, and fundraiser revenue. Each morning, teachers send folders to the building secretaries in the morning with various paperwork and payments. The envelopes are generally brought to the office by students, but sometimes teachers take them to the office. The building secretary separates everything in the folder. Any money received for cafeteria expenses or library fines is placed in a baggie with the student's name. This money is not counted by the building secretary; it is simply transported to the cashiers in the cafeteria or to the librarian. If requested, parents can receive a weekly email or invoice to let them know how much is left in their students' accounts for lunches.

All money collected throughout the day is placed in a combination safe in the office. The principal, lead teacher (who serves a similar role to a vice-principal), and the building/principal's secretary are the only employees with a combination to this safe. The secretary handwrites receipts out of a pre-numbered receipt book and mails receipts to the parents. Deposits are not done daily at the primary school. On days deposits are prepared, the building secretary takes money from the safe with the supporting documentation and prepares a revenue sheet as well as a deposit. The building secretary counts the money, makes copies of all of the checks received. The building secretary takes the deposit to the bank. Once a deposit is made, the building secretary sends the original tally sheet, copies of the checks, and the original receipt from the bank through interoffice mail to the Treasurer's office. The building secretary keeps a copy of everything sent to the Treasurer's office in a locked file cabinet or safe.

During the summer, mail is often undeliverable to the school buildings because the United States Postal Service will not deliver the mail unless someone is in the office to receive it. During this period, the USPS will hold any mail sent to the schools until the beginning of the next school year, or the soonest applicable date, when someone is in the office to accept the mail. During this time period, any checks sent through the mail are not opened and therefore not deposited.

Monroe Local School District – Butler County

Financial Accounting Report

Revenue Activity

(Continued)

Athletic Receipts: The School District requires payment for admittance at various athletic events. The ticket sellers are staff and are paid for this position. Tickets are pre-numbered and each sporting event has a specific colored ticket. The color of the ticket is associated to the sport and grade level (high school, junior high, etc.). To keep track of how many tickets are sold, the Athletic Director takes the first ticket of each roll of tickets that are being used and depending on the ticket the ticket sellers reach they know they sold the tickets in between those two numbers. For example, if ticket number one was the ticket the Athletic Director collected and they have ticket ten as the next ticket to sell on their roll of tickets, the ticket seller knows that there were eight tickets sold. The School District also allows staff members' family members into the game for half price. To keep track of the number of half priced tickets, the ticket seller will rip half of the ticket and place it into their lock box. Each ticket seller starts the night with start-up cash for change.

After all sales are completed, the ticket sellers give their lock boxes to the Athletic Director/Site Manager who places the boxes into a heavy duty safe in the Athletic Office/Field Office. The next morning the Athletic Director is responsible for counting all of the lock boxes. The first and last ticket on the roll are kept along with the half tickets, so that the Athletic Director knows how many tickets were sold and how many tickets were sold at half price. The Athletic Director's secretary double counts the boxes and verifies the amount ties to what the Athletic Director counted.

The School District also sells athletic passes. Anyone can buy an athletic pass which can be bought for a specific sport or season. Instead of buying a ticket at the event you show the ticket seller your athletic pass. Athletic passes can be purchased in the office from the Athletic Secretary. When a pass is purchased, the Athletic Secretary will date and initial the pass on the day the money is collected. The Athletic Secretary fills out a receipt/athletic pass form to keep on file that a pass was purchased. If a receipt is desired by the customer the secretary will provide one. On occasion athletic passes can be sold by office volunteers. Volunteers will keep athletic pass forms sold and how much money was collected. The volunteers will give the secretary the money and athletic pass forms then the Athletic Secretary will add the money to the daily deposit. The Athletic Office has start-up cash each day for change.

The Athletic Office also deals with rentals that involve anything sports related, for example, the soccer field, school gym, etc. At this time the Athletic Director is the point of contact for anyone who wants to rent the School District's sporting facilities. The Athletic Director is also responsible for the renter to fill out a contract and an insurance agreement to hold the school harmless of any injury, etc. obtained while using the rental facility. The Athletic Director also invoices the renter and collects the rent monies.

The School District also charges participation fees for sports. The fees are determined and approved by the Board. The coaches collect money from the students. The coaches give the money to the Athletic Director with a list of students who paid their fees as well as a triplicate form that states what payment method was used by the student. The Athletic Office has a roster for each sport and double counts the money provided by the coaches and marks students off of the roster as paid. Payment plans are also offered by the School District. The Athletic Office has a list of student athletes on a payment plan and tracks how much has been paid and what is still owed. There is a set fee for every sport with no cap if a student plays more than one sport.

Monroe Local School District – Butler County

Financial Accounting Report

Revenue Activity

(Continued)

When money is collected for any purpose in the Athletic Office, the money is placed in a locked drawer during the day until it is deposited at the end of the day. The Athletic Secretary is responsible for putting the deposit together and taking it to the bank. The Athletic Secretary makes copies of any checks issued for payment. The Athletic Secretary will put together a copy of the checks, receipts for the daily transactions and a copy of the bank deposit slip and is sent to the Treasurer's office.

Student Activity Receipts: The student activity advisors must submit a request for a fundraiser, called the Sales Project Potential Form, which details the proposed project to the building principal. The building principal will evaluate the request. The School District has a policy for approving fundraisers. If approved by the building principal, the building principal forwards the form to the School District Superintendent and Treasurer. The Superintendent and Treasurer approve form with signatures or disapprove and send back to originator of document. The approved form is scanned back to the student advisors. Sometimes a form is submitted to the Superintendent and Treasurer without having received the proper approval from the building principal or supervisor. In these cases, the Treasurer will contact the building principal to ensure that he also approves the fundraiser before the Treasurer gives her approval. At the completion of the approved fundraiser, the student advisors are required to complete a second part to the form which details the amount of money collected and deposited to the bank during the fundraiser.

The primary and lower elementary grades have not had student fundraisers for several years. Typically, grades five through twelve are the groups who have student fundraisers. The common groups who collect funds include: student council, who primarily collects money for charity and dances; the yearbook group; various athletic groups; and the elementary grades, who need uniforms.

During the fundraising time period, the student activity advisor prepares a deposit ticket and turns in any money received to the building secretary. The building secretary recounts the money and compares it to the student advisor's tally sheet. Once the building secretary agrees the tally sheet to the money collected, the building secretary prepares a handwritten receipt, and a copy is given to the student advisor. The student advisor keeps a copy of the revenue tally sheet and handwritten receipt from the building secretary. At the end of the day, the building secretary includes the fundraiser collection with the deposit to the bank. The building secretary keeps a copy of the deposit ticket and the revenue tally sheet and sends a copy to the Treasurer's office.

Receipts from Student Fees and Fines: The School District maintains and tracks student fees by using Dazzle software, the student information system, which is accessed through the School District's A-site. Within the Dazzle software, the School District has set up a program specific to each school section: High School, Junior High, Elementary, and Primary Schools. The system includes information for each student including the student's name, grade level, homeroom teacher, courses, and other information. The EMIS coordinator inputs the master fee schedule for the primary and elementary, while the Junior/Senior High building secretary inputs fee for Junior and Senior High School. The master fee schedules automatically add their appropriate fees to each student based on the information entered for the student by the building secretaries. Quarterly statements are printed for each student from the Dazzle software and are sent around the same time that grade cards are issued.

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Revenue Activity

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Primary and 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. In general, the building principals submit an estimate of cost for consumable purchases that will be used in the school year to the Treasurer, and the student fees are established based on these charges and student enrollment. These fees are approved by the Board annually.

Middle school and high school students receipt their fee/fine money into the building secretary or homeroom teacher. If turned into the homeroom teacher, the homeroom teacher turns the monies and documentation over to the building secretary. In the elementary schools, the students receipt their fee/fine money into 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.

The School District also contracts with a payment processing system, EZ pay, to accept student payments online for the various fees, fines, and expenses assessed by the School District. Parents/guardians have the option to make payment through EZ pay system. These payments are automatically updated within the Dazzle software to the student accounts. The building secretaries print out the daily report from EZ pay showing payments made to student accounts and compare these to the Dazzle software to ensure the student accounts are updated.

Cafeteria Receipts:

Students pay for breakfast or lunch with cash or checks 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 picture will appear if the student was present for school picture day. The elementary students are not given a pin. The students give the cafeteria worker their name and the cafeteria worker looks up their account in the system. The system updates and tracks each student's lunchroom account balance. Sometimes there is a delay with EZ pay and the student's account will become negative. The Kitchen Manager runs a report periodically to check if the student's account is negative. If an account is more than \$3.00 negative, the Kitchen Manager will send a note to the student's parent.

When a student gives the cafeteria worker their pin or name, the system differentiates between free, reduced and fully paid lunches. The students enter their pin number into a pin pad or give the cashier their name 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.

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The database system generates lunchroom reports, which total meals served and monies collected. A cafeteria worker counts the cash collected, prepares a tally sheet and compares this to the system total and brings the day's collection back to the Kitchen Manager. The Kitchen Manager counts the money and compares it to the amount on the lunchroom daily income report. The Kitchen Manager prepares a tally sheet to compare to each cashier's tally sheet, prints a Day-End Report and also prepares the deposit slip. The Kitchen Manager then puts the deposit slip along with the monies into the safe until the deposit is ready to be taken to the bank. The code locked safe is located in the Kitchen Manager's office. The office is locked when not in use and the Kitchen Manager is the only one with a key. Once the Kitchen Manager has the deposit slip from the bank, a copy of the deposit slip, copy of any checks used for payment, and a copy of the Day-End report are sent to the Treasurer's Office. The Kitchen Manager retains a copy of what the Treasurer was provided. The process is the same for the Elementary and the Primary School except the Lead Lunch Worker is responsible for this process.

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. The Business Manager and Treasurer receive copies of these reports each month.

Treasurer's Office:

Each building's daily receipts, along with a copy of each handwritten receipt, the revenue tally sheets, and a copy of the deposit slips are sent to the Treasurer's office, specifically to the Payroll/Benefits Specialist, through interoffice mail. Generally, the head custodian transports interoffice mail daily while school is in session (as long as he has time during the day), but interoffice mail does not run during the summer months. Daily, the Payroll/Benefits Specialist orders the receipts by date, pulls the applicable bank statements, matches the deposits with the bank statement, then, if all receipts and deposits match, posts the receipts into the accounting software. Once the receipts is posted into the system, the Payroll/Benefits Specialist sends an email copy of the receipt to the appropriate building secretary and prints off a copy to file in the Treasurer's office. At the end of the month, the Payroll/Benefits Specialist prints a receipt statement from the accounting system and compares all receipts to the bank statement to ensure that all receipts have been entered properly. Once the bank reconciliation is completed, then the month's receipt copies are given to the Accounting Specialist for filing.

The Treasurer's office receives State foundation, Butler County property tax allocations, and most Federal and State monies by electronic transfer into the STAROhio account. Warren County sends physical checks for property taxes allocations, and the Payroll/Benefits Specialist prepares a deposit slip to take to the bank. This deposit is placed into the School District's general checking account. Also, the Treasurer's office accepts payments for fingerprinting charges. The procedures are the same as those for the student fees above.

All cash and checks accepted at the Treasurer's office are placed in a lockbox in a locked filing cabinet until the deposit is prepared. Though a deposit is generally prepared daily, any money received after the deposit is made is stored in the lockbox until the next business day.

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Financial Accounting Report

Revenue Activity

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On a daily basis, the Treasurer monitors the general checking and STAROhio bank accounts. If an applicable transaction shows up on the bank account statements, the Treasurer will go to the Ohio Department of Education website to pull the daily activity report to compare the electronic transfer received to what should have been deposited and to determine the nature and purpose of the grant received. The Treasurer then identifies the proper account codes and prepares a receipt for each electronic transfer. If the electronic transfer is for a grant, the Treasurer will attach a copy of the Project Cash Report from the Ohio Department of Education's web site.

Anyone at the Treasurer's Office can sort mail received at the office. All mail received by the Treasurer's office, unless addressed to a specific person, is given to the Curriculum Secretary to open. The Curriculum Secretary removes the receipts and gives all checks and cash to the Accounting Specialist.

The Treasurer's office may accept payments for student fees, fines, and expenses during the summer months on behalf of the various school buildings. According to the Treasurer, this situation is rare, but when it does happen, any of the employees in the Treasurer's office can accept a payment. They only accept check and cash payments, not credit card payments. If a payment is received, one of the employees in the Treasurer's office obtains the pre-numbered receipt book out of the Payroll/Benefits Specialist's office and prepares a receipt for the parent or student. The Treasurer's office also keeps a copy of the receipt. When the Payroll/Benefits Specialist processes the receipt in the accounting system, the applicable building secretary is notified of the payment by the Payroll/Benefits Specialist, so that the secretary can enter the payment into the student's account in the Dazzle software.

The School District uses EZ pay to accept online payments for student fees, fines, and expenses. EZ pay sends a daily electronic transfer to the School District's general bank account and a corresponding email to notify the Treasurer and the Payroll/Benefits Specialist that the deposit is made. The Payroll/Benefits Specialist verifies that the statement matches what was received in the bank.

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 BRIDGE forms, which identify the various sources of State aid, are printed from the Ohio Department of Education's web page by the Accounting Specialist. The amount of the wire transfer is compared by the Accounting Specialist 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 Accounting Specialist 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.

Monroe Local School District – Butler County

Financial Accounting Report

Revenue Activity

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Receipt of Property Taxes: As applicable, the Butler County auditor sends an email to the Treasurer's Office that states a new document has been posted to the Butler County Auditor portal that is accessible to the Treasurer. The Treasurer will go out to the portal at this point and print a copy of the settlement sheet. Once the money is received at the bank, the 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 Treasurer verifies that the net property tax receipts on the tax settlement sheet match the amount on the check from the County Auditor and that the amount received is similar to that received in the past. The gross property tax receipts and deductions are recorded in the general fund, debt service fund, and permanent improvement fund. The tax settlement sheet and the signed receipt are all stapled together and filed in the Treasurer's office. For receipt of Warren County property taxes, the Treasurer's office receives a check and settlement sheet in the mail.

Receipt of Property Tax Allocations: Homestead and rollback revenue is received twice a year through electronic transfers from Butler County to the School District's bank account. The Treasurer pulls a settlement sheet from the County Auditor website, and it identifies the account codes for gross receipts and deductions. The Treasurer then 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 deposited amount. For receipt of Warren County homestead and rollback revenue, the Treasurer's office receives a check and settlement sheet in the mail.

Other property tax allocations, including utility deregulation and tangible personal property loss reimbursements, are received by electronic transfer with student foundation payments. The Treasurer identifies the proper account codes for gross receipts and deductions using information from the tax settlement sheet, which she pulls from the Ohio Department of Education website. The Treasurer verifies that the net property tax allocations on the tax settlement sheet match the amount electronically transferred through foundation.

Receipt of Grant Monies: The School District participates in various Federal and State grant programs. The Treasurer serves as the Grant Coordinator, and 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. When cash is needed from a particular grant, the Treasurer completes an on-line CCIP Project Cash Request.

The Treasurer checks the School District's STAROhio account daily to determine if any grant monies have been electronically transferred to the School District. Once a deposit is made, she will go to the Ohio Department of Education's website to obtain the detail for the applicable grant. 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 Treasurer can identify the grant proceeds. The amount electronically transferred per the Ohio Department of Education's website is matched to the bank statement by the Treasurer. If the Treasurer receives a smaller grant that was not originally recorded on the ODE website, the Treasurer notifies the Board before inputting it into the system.

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Revenue Activity

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Local grant monies are generally received in check form by the Treasurer's office with an invoice sheet attached that states the participating teacher(s) and the purpose of the grant. Then the process under the Treasurer's Office section of the revenue activity is followed. The local grants most often received by the School District include the Neediest Kids of All grant and grants from the Middletown Foundation. Typically, teachers have applied for these grants without the prior knowledge or approval of the Treasurer. Once the checks are received, the Treasurer notifies the applicable teacher that the grant money is now available.

Rental Receipts: The School District rents their athletic complexes, including the gymnasium, and the auditorium. The process for renting the athletic facilities is detailed in the Athletic Receipts section above. In regards to the auditorium, rental is managed by the Business Manager. Once an application/contract is received, the Business Manager reviews, then forwards to the Music Director, who serves as technician. The Music Director then coordinates the rental. After the activity is over, the School District will invoice the renter for the event and technician's hourly rate. Payment is made to the Treasurer's office, where the Payroll/Benefits Specialist prepares the receipt and deposit slip. All technician fees are then paid to the Music Director through the bi-weekly payroll processing.

Receipts from Sale of Capital Assets: The School District participates in an online auction program for the sale of capital assets. Monies from the sale of capital assets are usually received by the Treasurer or the Business Manager in the form of a check with a list of the items sold on the website attached. If the individual requests a receipt, the Treasurer or the Business Manager will prepare a handwritten receipt.

Auditor of State Comments

1. The School District issued an updated policy and procedures manual to each of the school buildings in 2008. However, this has not been updated since then, and many of the procedures and forms included in the binders are no longer used. The School District should review and update the policy and procedure manuals. Additionally, all applicable employees should read and certify their understanding of the updated policy and procedures.
2. Some of the School District's buildings are making deposits within 24 hours of collection. A policy has been adopted by the Board following Ohio Revised Code Section 9.38 for the deposit of public funds within three business days if less than \$1,000. However, there are times when employees at various cash collection points are holding deposits for more than three business day. The School District should ensure and enforce that all employees follow the current policy.
3. The Board's policy for cash collection states that monies received at cash collection points must be deposited with the Treasurer. However, deposits are currently being taken to the bank by the building secretaries. Also, the policy states that locked bank deposit bags are provided to employees for making the daily deposits, but the building secretaries do not currently use bank deposit bags. The policy should be followed or reviewed and updated.
4. Currently, there is no double count of cash collections for passes sold by the Athletic Department or for cash collected at the Primary, Elementary or Junior/Senior High School buildings, with the exception of collections for fund raisers. The School District should develop a policy and procedures to ensure that all cash collections are verified by a second employee.

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Financial Accounting Report

Revenue Activity

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5. The elementary school teachers can take cafeteria receipts which are sent to the building secretary's office along with other receipts. The cafeteria receipts are placed in an envelope with the child's name on it without counting the money or making receipts. Elementary secretaries need to count the money received for cafeteria receipts and place the amount on the envelope and prepare a receipt. The receipt should be sent back to the classroom where the teacher presents the receipt to the appropriate child.
6. The Athletic Director handles all aspects of athletic facility rentals – contract and insurance agreements, invoices, and collection of monies. The insurance agreements are not always signed by the renter before the facility is used. All contracts and insurance agreements should be received by the School District before the renter is allowed to use the facilities. The Treasurer's office should receive a copy of the contract and insurance agreements. Once the facility is used per the agreement, the Treasurer's office should invoice the renter.
7. During the summer months, mail from the United States Post Office is often not deliverable to the various school buildings. The mail is kept at the Post Office until an employee is available to accept the mail. The School District should develop policies and procedures to ensure that mail is opened in a timely manner so that all deposits that are mailed will be deposited per the Board's cash collection policy.

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Financial Accounting Report

Purchasing Process

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

Statutory Requirements

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

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

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Financial Accounting Report

Purchasing Process

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

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

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

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

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

Bidding: School district contracts to build, repair, enlarge or demolish any school building in excess of \$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.

Monroe Local School District – Butler County

Financial Accounting Report

Purchasing Process

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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 school 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 statements 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."

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Financial Accounting Report

Purchasing Process

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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, unless the contemplated purchase is for more than \$10,000, in which case prior approval is required from the Board. 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 needed at a school building, an employee completes a Requisition Request Form stating what items are needed, from what vendor, and from which account. This form is given to the building secretary, who enters all information from the form into the School District’s Form Share system. This information must contain proper coding, an approved vendor, and a clear description of the item. If the secretary has any concerns about the request, the secretary may ask the employee for further clarification, or may take the requisition request to the principal for a verbal approval before entering it into the system. The FiscWeb system flags a requisition for any amounts that exceed appropriations; an error message is displayed. During the review process, the Accounting Specialist or Treasurer will see the system-generated caution flag and will move appropriations as appropriate and available to cover the requisition, verify that the total object line meets the need of the expense, or return the requisition as unapproved to the building secretary. If the item(s) is not necessary to the educational program, it will not be purchased. The building secretary is the initial person who determines if the requested items are necessary and if the school already has these items. After this determination, the school building principal gives the final approval.

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Purchasing Process

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After the requisition is entered into the system, the requisition goes through a chain of approvals: department heads, building principals or administrator, and then the Superintendent's office. Most requisitions are approved by the Superintendent; however, the Treasurer may approve the requisition in place of the Superintendent if necessary. The final approval for a requisition request comes from the Treasurer. The Treasurer checks the requisition for coding and proper purpose and checks it against the budget. She may return it to the sender if she has any concerns or questions, at which point, the requisition process starts over. The building secretary would need to make any necessary corrections and then resubmit the requisition through the chain of approvals. All new building secretaries are trained in these procedures, and all building secretaries are given a budget worksheet so they can compare the requisitions to the current budget. The Treasurer sends updated budgetary worksheets to the building secretaries as necessary. If the Treasurer approves the requisition, she sends notification to the Accounting Specialist who will then convert the requisitions into purchase orders.

At least once a week, the Treasurer and Accounting Specialist review requisition reports online to start the purchase order process. Then the Accounting Specialist performs a mass conversion of requisitions, and the system automatically creates the purchase orders, thereby encumbering the appropriations. The Accounting Specialist or Treasurer assigns a purchase order number, and maintains a listing of these numbers. The printed purchase orders include the vendor information, goods ordered, and appropriation expenditure line. The Accounting Specialist then prints one copy of each purchase order. The Treasurer's signature is electronically printed on the purchase order as an automatic process without any additional security requirements. Because the purchase orders are system-generated, they cannot be modified upon printing. The original purchase orders are given to the Secretary of the Financial Planning and Supervision Commission for review. The Financial Planning and Supervision Commission Secretary approves the purchase orders by manually signing off on them, and then these signed purchase orders are returned to the Accounting Specialist. She makes a copy of each signed purchase order and sends them to the applicable building secretaries. The secretaries can then send the purchase order on to the vendors. The Accounting Specialist keeps the original purchase orders in her office.

If the purchase order is over \$5,000, the Financial Planning and Supervision Commission Secretary makes a copy of the purchase order, so that it can be presented at a Commission meeting and approved by the Commission before being signed by the Financial Planning and Supervision Commission Secretary. If the contract is over \$25,000, it must also be approved by the Board through resolution. The Business Manager puts together the information needed for submission to the Board. Purchase orders are used for all purchases and contracts of the School District.

Contracts that exceed \$25,000 are given to the Business Manager to make the necessary arrangements for public bidding. The Business Manager or Treasurer may also determine that public bidding would be profitable for some contracts that are less than \$25,000. If this occurs, normal bid procedures apply. Also, when applicable, the Business Manager or Treasurer may request price quotations or summary bid specifications from vendors or enter into contract negotiations for smaller purchases or contracts. Bids are advertised online, and bids are received either electronically or through the mail and held by the Business Manager until the bid opening. The Business Manager places a submission deadline on bids that vendors must adhere to in order to submit a bid. At the bid opening, the Business Manager receives and records all bids, and the Treasurer/Superintendent serve as a witness. For building improvement contracts, the School District's awarded architect reviews the bids and makes a recommendation to the Board. The Board, by resolution, awards the contract.

Monroe Local School District – Butler County

Financial Accounting Report

Purchasing Process

(Continued)

When major contracts exist, the Treasurer typically prepares a 412 Certificate, which certifies that the School District has sufficient revenue to support those contracts. For most contracts, the Business Manager reviews and compiles the bids, comparing the cost of the purchase or project and then the details of the proposals, including the bid bonds and the specifications and qualifications of the vendor. He then makes a recommendation to the Board. The School District has used the bidding process for property insurance and grounds maintenance contracts within the last two fiscal years. After awarding the bid, the winning vendor is currently not compared to the list of entities with findings on the Auditor of State's website.

An active vendor list is maintained electronically within the accounting system by the Treasurer's office, specifically by the Accounting Specialist, Payroll/Benefits Specialist, or the Treasurer. New vendors are added to the system when necessary. The Treasurer, Accounting Specialist, and the Payroll/Benefits Specialist are the only individuals who can add new vendors to the system. For new vendors, the requesting employee fills out the name and address of the vendor on the requisition form. The requesting employee or building secretary will 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, where the Payroll/Benefits Specialist enters the information from the W-9 into the system. If necessary, the Treasurer or the Accounting Specialist can also enter information from W-9's into the system for new vendors. The Board has no policy for the addition of new vendors. When necessary, the Accounting Specialist eliminates duplicate vendors.

The Board has implemented a policy regarding the prohibition against contracting with a person against whom an unresolved finding for recovery has been issued, but this policy only applies to contracts exceeding \$25,000 or to multiple contracts entered into within the fiscal year preceding the fiscal year within which the contract is being entered into by the same parties with total aggregate cost less than \$50,000. Per this policy, the Treasurer is responsible for checking the applicable vendors. Currently, this check is not performed. The Accounting Specialist performs this search for invoices that do not meet this criteria only when a vendor appears suspicious; however, no documentation is kept verifying that the search was completed.

The School District purchases goods and services with blanket and "super" blanket purchase orders as needed. The Board has identified a maximum amount of \$4,000 (as recorded in the Board minutes) for blanket purchase orders. For the School District, "super" blanket purchase orders are used in areas such as utilities, bus contracts, custodial services, and fuel. "Super" blanket purchase orders also require a requisition to be completed, most of which are completed in the Treasurer's office. Typically, contracts can be completed by anyone in the Treasurer's office, while requisitions for fuel, utilities, and general business office supplies are completed by the Accounting Specialist. 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. Typically, the Accounting Specialist creates blanket purchase orders for a three-month period, whereas "super" blanket purchase orders are for the entire year.

Each quarter, during the review process of outstanding purchase orders, the Accounting Specialist will close any outstanding blanket purchase orders for which the invoices have been paid for the three-month period. She opens new blanket purchase orders as applicable to avoid recording a "Then and Now" certificate for the next month's invoice.

Monroe Local School District – Butler County

Financial Accounting Report

Purchasing Process

(Continued)

The Accounting Specialist monitors purchase orders each time she pays an invoice against it. She reviews the amount remaining on the purchase order and the date on the invoice to verify the need for a “Then and Now” designation. Additionally, the system will perform a validation for each invoice. If a “Then and Now” designation is necessary, the invoice will be sent to the Treasurer for approval.

“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 \$3,000, per the Board’s policy. If they are less than \$3,000, 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.

The Treasurer and Accounting Specialist perform cursory reviews of outstanding purchase orders on a quarterly basis. During the review, they look to see if a fund has an 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. The Accounting Specialist keeps any lists of purchase orders that the Treasurer has sent her indicating which purchase orders need closed. She also keeps all purchase orders that are closed due to the quarterly check of the outstanding purchase listing. Additionally, the Accounting Specialist maintains a list in Microsoft Excel of all blanket purchase orders and marks those that are closed.

The Accounting Specialist periodically communicates with the building secretaries to ascertain whether a purchase order can be closed or if more invoices will be paid on an outstanding purchase order. She routinely requests that the building secretaries sign off to close purchase orders so that small amounts do not remain outstanding. At fiscal year-end, the Treasurer and Accounting Specialist review 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.
3. The School District has policies concerning the purchasing process, but current procedures do not match the policies. The procedures for requisitions and purchase orders have changed due to implementing a paperless system and using the system for approvals. The bidding policies were written when the School District did not have a Business Manager. Now that the School District has a Business Manager, the Business Manager is currently performing many tasks that are identified in the policy as being performed by other individuals. The School District should review and update their policy to reflect current procedures.

Monroe Local School District – Butler County

Financial Accounting Report

Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

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

Statutory Requirements

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

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

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

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

Monroe Local School District – Butler County

Financial Accounting Report

Cash Disbursements

(Continued)

Administrative Code Requirements

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

School District’s Cash Disbursement Process

When the goods have been received, the responsible party verifies the contents of the shipment to the packing slip and the invoice before payment is issued by the Treasurer’s office. The responsible party manually signs his name for his/her approval of payment on the purchase order, packing slip, or invoice, and then communicates any concerns or sends the purchase order and invoice to the building secretary. If the Accounting Specialist has sent the invoice electronically to the building secretary, the responsible party may record any notes of approval within the email itself and return it to the Accounting Specialist through email. If not all goods are received or incorrect items are received, the building secretary will contact the vendor and resolve the issue accordingly. The building secretary will then mark the purchase order as okay to pay or will note to pay partial if all items are not received. The building secretary submits all documentation to the Treasurer’s office, typically in an electronic form but also through interoffice mail.

The majority of invoices are received directly by the Accounting Specialist in the Treasurer’s office; however, occasionally some invoices will arrive at the school buildings. When this happens, the invoice will be sent electronically to the Treasurer’s office. Upon receiving the invoice in the Treasurer’s office, the Accounting Specialist will scan the invoice and send it electronically to the applicable school building. 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 secretary investigate why there is a difference, and the secretary contacts the vendor to notify the vendor of the error. The error is then resolved accordingly.

For payment of contracts, the Business Manager ensures that the contractors follow through with their projects, before submitting the approval for payment. He signs off on the invoice before forwarding it to the Accounting Specialist. If needed, he may request the assistance of a consultant to help him analyze the product and/or work performed by the vendor.

The approval documentation is forwarded to the Accounting Specialist, who prints it and attaches it to the applicable purchase orders. She files the purchase orders numerically. The Accounting Specialist then 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 Accounting Specialist will also have to input the payable amount. As she inputs the information into the system, the Accounting Specialist compares the dates of the invoice to that of the purchase order, and verifies the signatures for the approval to pay. She then files the invoices in an accordion file so they are readily available when she cuts the checks.

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 is received, the signed purchase order is sent to the Accounting Specialist, who compares it to the invoice.

Monroe Local School District – Butler County

Financial Accounting Report

Cash Disbursements

(Continued)

In some 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 back-order. 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 Accounting Specialist. The Accounting Specialist follows the same steps discussed above for payment of the invoice.

Once invoices have been entered into the system, but prior to printing the checks, the Accounting Specialist orders the invoices numerically and then runs an invoice listing. She verifies that the report matches the invoices, making sure that proper payment matches each invoice. The invoice list is then forwarded to the Treasurer, who reviews the listing for correct amounts, correct codes, and adequate funds in the appropriations account to cover the transactions. If approved, the Treasurer signs her name, writes “okay,” and dates the invoice list. The Payroll/Benefits Specialist may approve any checks that apply to her duties. After approval has been given, the Accounting Specialist runs the checks in the system. The Treasurer’s signature is electronically printed on the checks, and no further reviews of the printed checks are performed. The check voucher copies are printed on colored paper, a different color for each fiscal year.

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 Accounting Specialist will send a purchase order increase request form to the building secretary and have them determine why the amount on the invoice is higher. When the building secretary returns a signed form, the Accounting Specialist increases the purchase order, then highlights this transaction to submit to the Financial Planning and Supervision Commission Secretary for her approval.

If the Accounting Specialist receives an invoice that does not have an associated purchase order, she will contact the individual to whom it belongs, so that he can create the requisition request form at that time if necessary. These purchase orders must go through the same approval process as all other purchase orders.

Checks are normally printed on the 10th, 20th, and 30th of the month. The blank check stock paper is kept in a locked filing cabinet drawer in the Treasurer’s office. Only the Treasurer, Payroll/Benefits Specialist, and Accounting Specialist have keys to this filing cabinet. 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 Specialist uses a computer program to create and print the checks, but she assigns check numbers and maintains a check roster of all issued checks. The check printing program is user name and password protected. The Treasurer, the Accounting Specialist, and the Payroll/Benefits Specialist have their own username and password access for printing checks.

While the checks print, the Accounting Specialist also prints copies of the checks on colored 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 colored 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.

If a check is voided, the Accounting Specialist handwrites “VOID” on the check. The voided checks are filed in numerical order with the other invoices in the Treasurer’s Office. The voided checks are entered into the accounting system, and the system can generate a report that lists all voided checks.

Monroe Local School District – Butler County

Financial Accounting Report

Cash Disbursements

(Continued)

The School District initiates electronic fund transfer payments to ING (related to payroll), to US Bank for charge cards, water bills, STRS and SERS as applicable, and for debt payments.

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.

Monroe Local School District – Butler County

Financial Accounting Report

Payroll Processing

Description of an Effective Method of Payroll Processing

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

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

Monroe Local School District – Butler County

Financial Accounting Report

Payroll Processing

(Continued)

The following additional code sections provide authority for appointment and compensation of officials and employees of a school district. Section 3311.19 and 3313.12, Revised Code, for 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 eligibility, timesheets, workers' compensation, personnel record, 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 182 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 current when the pay period is paid. Board members are paid quarterly; January, April, July and October.

In addition to their bi-weekly pay, employees may receive additional amounts along with their regular compensation for supplemental contracts, extra pays, stipends, overload payments or severance. 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. Cafeteria workers receive an actual printed pay stub due to not having access to the School District e-mail.

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. Information for each employee is kept in a personnel file in the Treasurer's office.

The Payroll/Benefits Specialist prepares contracts after the Board approves them. After the contracts are signed by the Treasurer, Board President and Employee, the Payroll/Benefits Specialist inputs these amounts into her Payroll Calculation Spreadsheet. After the contract amount is put in the spreadsheet, the EMIS Coordinator double checks that the amount has been entered correctly. The EMIS Coordinator then initials off on the contracts that this has been done correctly.

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

Monroe Local School District – Butler County

Financial Accounting Report

Payroll Processing

(Continued)

Administrators: Administrators include the Superintendent, Principals, Treasurer, Athletic Director, Athletic Equipment Manager and Food Coordinator. Individual administrative contracts are prepared by the Payroll/Benefit Specialist based upon contract provisions approved by the Board. The contract provisions establish the annual rate of pay, types of leave to be credited and a job description for each employee. In addition, the Superintendent and Treasurer have job expectations listed in their contract. The contract provisions state the Board will provide the employee with a \$40,000 term life insurance policy and all other benefits at least equal to those provided for certified staff. The contracts are reviewed and approved by the Board. Contracts for the Administrators 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 Monroe Board and the Monroe Education Association. The present negotiated agreement covers the period July 1, 2013 through June 30, 2014. 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. Certified employees are provided a \$30,000 term life insurance policy. Nurses are also considered certified employees.

Individual teacher contracts are prepared by the Payroll/Benefits Specialist. There is a stepping program of contracts. They start with a limited contract (one year), then a two year limited, new continuing (have met all work requirements, one year), continuing (one year) and then they receive salary notices. 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 Board and are mailed out to the employees by April. The employees have two weeks to mail those back. If employees disagree with the contract amount on the salary notice, they can contact the Treasurer or the Payroll/Benefits Specialist to resolve the issue.

The Payroll/Benefits Specialist 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 Accounting Specialist uses a spreadsheet to make sure that employees are being paid correctly as a double check. If there are corrections to be made, the Payroll/Benefits Specialist fixes them and then those corrections are checked again by the Treasurer or Accounting Specialist and then is initialed that it has been corrected.

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 documentation to support the change. After receiving support for the change, the Payroll/Benefits Specialist will update the employee's contract amount in the payroll system. If documentation for an education adjustment is turned in by October first, the adjustment will be retrospective back to July of that year. If an employee has a change but doesn't bring in the information until after October, the pay schedule adjustment will not take effect until January. The payroll system calculates the amount to be paid to each individual over the remaining pays for the calendar year. There is also a form that is filled out regarding any type of change that is placed in the employee's file which needs to be signed by the employee.

Monroe Local School District – Butler County

Financial Accounting Report

Payroll Processing

(Continued)

Classified Employees: Salaries and benefits for cafeteria workers, secretaries, tutors and LPN aides are also governed by a negotiated agreement prepared by the Monroe Board. The present contract covers the period from July 1, 2013 through June 30, 2014. The EMIS Coordinator and Treasurer's staff are considered classified employees, but they are not governed by the contract. However, the Board may approve at their discretion the same salary adjustments that are in the contract.

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, if applicable. Classified employees are provided a \$30,000 term life insurance policy. In addition, the contract defines overtime at one and a half times the employee's regular rate. The Cafeteria Supervisors are considered full time and the Cafeteria Employees are considered part time in their contracts. Teacher's aides are considered full time. Part-time employees are also provided with a \$15,000 term life insurance plan.

As per negotiated agreement, classified employees are hired and sent salary notices/contracts each year. Classified employees receive salary notices/contracts around the beginning of April 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.

Cafeteria employees and tutors are required to fill out and sign an individual timesheet. The timesheets are used to verify that employees actually worked their regular hours and the actual hours to pay. 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/Benefits Specialist in the Treasurer's office. The Payroll/Benefits Specialist reviews the timesheets and verifies their mathematical accuracy as well as matches any time marked as leave to an approved absence report. The Payroll/Benefits Specialist resolves any discrepancies found on the timesheet with the supervisor and the employee prior to processing. The Payroll/Benefits Specialist enters the hours into the system to generate the pay check.

Overtime: Overtime earned by employees is paid in 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/Benefits Specialist verifies the mathematical accuracy of the timesheets and enters the overtime amount for each employee into the payroll system. Overtime is calculated as working more than forty hours per week.

Other Employees: The Treasurer takes a roll call at every Board meeting and marks down the board members in attendance. The Payroll/Benefits Specialist uses the board attendance on the meeting minutes to calculate and enter payroll for the board members. The board members are paid quarterly. Meetings attended July through September are paid in October, October through December meetings attended are paid in January, January through March are paid in April and April through June meetings are paid in July. Board members are paid \$125 per meeting up to twenty-four meetings per year (\$3,000).

Monroe Local School District – Butler County

Financial Accounting Report

Payroll Processing

(Continued)

Supplemental: The Payroll/Benefits Specialist is responsible for preparing supplemental contracts for Monroe Schools. The Board approves the supplemental contracts before they are mailed to employees. These are signed by the Treasurer, Board President and Employee. All supplemental contracts for each group (fall, winter and spring sports) are paid three times. Fall sports are paid in November, winter sports are paid in February, and spring sports are paid in June. The check for each group is held until after the contracted duties are completed. Academic teams and year-long supplemental contracts are paid in February for the first half of the year and in June for the second half of the year. Additional pay for internal subbing and detention are paid as they occur.

Substitutes: 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 Butler County Educational Service Center. Teachers and approved substitutes are given a pin number to access 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/Benefit Specialist receives these reports and enters this information into the payroll system. Substitute teachers are paid a daily rate by the Warren County Educational Service Center 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, various tax and retirement forms, annuity forms and health/dental/vision/life insurance policies. The Treasurer's office enters the information into the payroll system. The Payroll/Benefits Specialist and Accounting Specialist share these duties. 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 taxes are paid with coupons.

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. Every full time employee receives three personal days. As 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/Benefits Specialists 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 the Employee Kiosk System and once this information is input an email is sent to their supervisor. Supervisors are required to go into the kiosk system and approve the leave, and once approved an email is returned to the employee stating the approval. All approvals are done in the system. Personal and vacation leave requires preapproval. Sick leave is not required to be approved in advance.

Monroe Local School District – Butler County

Financial Accounting Report

Payroll Processing

(Continued)

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

Bi-weekly, the payment of the employee share for that pay period for STRS is deducted from the State Foundation. SERS employee contributions are paid monthly. Each month, the Payroll/Benefits Specialist completes the SERS Cash Deposit Report and mails it to SERS along with payment.

Other Employee Benefits: The School District provides medical, vision, dental benefits and life insurance to all employees who work more than twenty hours per week. The Butler Health Plan covers medical and dental. The Vision Service Plan is used for the vision insurance. Life Insurance is handled by the Standard Insurance Company. Employees who chose to take part in the Butler Health Plan are responsible to pay 50% of their monthly health care premium if they work 20-29 hours per week and 20% if they work 30-39 hours per week. Dental for every employee working 20 or more hours per week are all responsible for paying \$16.95 per month, which is 15% of the dental plan. All qualified employees who receive vision insurance pay \$8.05 for single per month or \$28.22 per month for family. Administrative employees receive \$40,000 life insurance, certified and classified employees receive \$30,000 and part time employees receive a \$15,000 life insurance policy.

Payroll Deductions: Payroll deductions for medical, vision, dental and life insurance benefits are processed through the payroll system and then used as part of the payment. The Payroll/Benefits Specialist is responsible for the preparation of the documentation of the payments of medical, vision, dental and life insurance benefits. All payroll deduction reports and insurance invoices are maintained by the Payroll/Benefits Specialist.

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 is calculated based on the number of accumulated unused sick leave at 25 percent of the value up to a maximum of 55 days times the employee's daily rate. In the first year of eligible retirement, a bonus is earned. Certified employees receive \$15,000, and Classified employees receive \$7,500.

Payroll Preparation: Access to the payroll system is username and password protected. The Treasurer and the Payroll/Benefits Specialist have full access to the payroll system.

All payroll information must be received by the Treasurer's Office by Wednesday morning following the end of the pay period.

Monroe Local School District – Butler County

Financial Accounting Report

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/Benefits Specialist will review this report and check for any unusual entries and make any necessary corrections. Overtime and extra time from the pay period is entered into the payroll system by the Payroll/Benefits Specialist after the INICAL has been run.

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/Benefits Specialist for any errors. The BUDPRO details the gross payroll by budget account. The Payroll/Benefits Specialist reviews this report to verify there are no errors in the payroll coding.

The small amount of payroll checks that are printed in the Treasurer's office is done on the day payroll is complete. The printed checks are placed in a safe until the employees pick them up. 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/Benefits Specialist uses a computer program to create and print the checks.

Prior to printing the payroll checks and electronically submitting the direct deposits, the Payroll/Benefits Specialist reviews the payroll to look for errors. The next step is to check to see that the employee pay rates are correct and that overtime and extra time hours have been entered correctly. The Payroll/Benefits Specialist compares totals to a separate spreadsheet which is maintained by the specialist.

The Payroll/Benefits Specialist prints the payroll checks and generates direct deposits through the data using the CHKPRP program. Direct deposits are submitted electronically to the bank on Thursday and are normally posted by midnight. After submitting the direct deposits, the information goes through Southwest Ohio Computer Association (SWOCA) and the Payroll/Benefits Specialist will then send the information to Fifth Third Bank. The Payroll/Benefits Specialist calls in the information to the bank to verify the direct deposit amount and then the Treasurer transfers money from STAROhio account to payroll account.

Direct deposit is not mandatory for all new employees. A small amount of individuals receive paper checks. When school is in session, the paper checks are sent to the department or building where the employee works by the Payroll/Benefits Specialist. During the summer, the paper checks are mailed to the employees.

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. Cafeteria workers who receive direct deposit also get a paper pay stub due to not having an e-mail address through the school.

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. The Payroll/Benefits Specialist also runs AUTOPOST.

Monroe Local School District – Butler County

Financial Accounting Report

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. W-2 forms are taken to the school where the employee works and are signed out by the employee. All W-2 information is submitted electronically to the IRS through the School District's A-site, SWOCA.

Auditor of State Comments

1. The Treasurer should review the pay period spreadsheet prepared by the Payroll/Benefits Specialist to verify that payroll expenses agrees to the payroll system reports before approving payroll checks and direct deposits.

Monroe Local School District – Butler County

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

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

Statutory Requirements

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

School District's Debt

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 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 to the debtor. The Treasurer has access to transfer money for debt payments. All debt documents and amortization schedules are kept on file in the Treasurer's office.

Monroe Local School District – Butler County

Financial Accounting Report

Debt Administration

(Continued)

The amount of the School District's outstanding debt at June 30, 2013 consists of the following:

Debt	Interest Rate	Principal Outstanding 6/30/2013
2002 School Improvement Obligation Bonds		
Serial Bonds	3.40 to	\$4,000,000
Capital Appreciation Bonds	5.75%	380,586
Accretion on Capital Appreciation Bonds		1,904,716
Premium on Bonds		362,739
<i>Total 2002 School Improvement General Obligation Bonds</i>		6,648,041
2007 School Improvement Refunding Obligation Bonds		
Serial Bonds	3.75 to	9,100,000
Term Bonds	4.50%	10,225,000
Premium on Bonds		1,080,271
<i>Total 2007 School Improvement Refunding Obligaion Bonds</i>		20,405,271
2010 Certificates of Participation		
Serial Bonds	4.64%	240,000
Term Bonds		630,000
Premium on Bonds		5,367
<i>Total 2010 Certificates of Participation</i>		2,006,708
2012 State of Ohio Solvency Assistance Advance	0.00%	2,204,000
2013 State of Ohio Solvency Assistance Advance	0.00%	427,000
2005 OASBO Fieldhouse Lease	0.00%	1,103,000
2005 OASBO Stadium Lease	3.10 to 4.36%	2,503,000
2008 Roof Lease	4.42%	13,461
2010 Copier Leases	1.78%	18,259
<i>Total Debt</i>		\$35,328,740

During fiscal year 2002, the School District issued \$29,910,228 in School Improvement Bonds through the vote that were for the purpose of construction, improvements and equipment for School District's facilities. In fiscal year 2007, the School District refunded a portion of the bonds. The remaining bonds will be paid from property tax revenue in the debt service fund and mature in fiscal year 2030.

During fiscal year 2007, the School District refunded a portion of the 2002 school improvement bonds in the amount of \$19,640,000. The bonds will be repaid from property tax revenue in the debt service fund and mature in fiscal year 2030.

Monroe Local School District – Butler County

Financial Accounting Report

Debt Administration

(Continued)

During fiscal year 2010, the School District issued \$980,000 in certificates of participation for the purchase of land and buildings. The certificates will be paid from property tax revenue in the permanent improvement fund and mature in fiscal year 2030.

During fiscal year 2005, the School District entered into a lease-purchase agreement with the Columbus Regional Airport Authority for the construction of an athletic fieldhouse in the amount of \$1,656,000. The lease will mature in fiscal year 2025 and will be retired from the permanent improvement fund.

During fiscal year 2005, the School District entered into a lease-purchase agreement with the Columbus Regional Airport Authority for the construction of a new stadium and related size improvements and turf in the amount of \$2,929,000. The lease will mature in fiscal year 2034 and will be retired from the permanent improvement fund.

During fiscal year 2008, the School District entered into a lease-purchase agreement with Fifth Third Bank for a roof replacement project in the amount of \$365,000. The lease will mature in fiscal year 2014 and will be paid from the permanent improvement fund.

During fiscal year 2010, the School District entered into a lease-purchase agreement with Xerox for copiers in the amount of \$188,395. The lease will mature in fiscal year 2014 and will be paid from the general fund.

During fiscal years 2012 and 2013, the School District received Solvency Assistance Fund Advances from the State of Ohio in the amount of \$2,204,000 and \$427,000, 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 2012 advance will be repaid during fiscal years 2013 and 2014 by deducting equal semi-monthly amounts from the State Foundation settlement in the total amount of \$1,102,000 each year. Once the fiscal year 2012 advance is repaid, the School District will continue deducting semi-monthly amounts from the State Foundation Settlement for fiscal years 2014 to pay off the fiscal year 2013 State Solvency Advance.

Auditor of State Comments

None

Monroe Local School District – Butler County

Financial Accounting Report

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the School District should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the School District should be adequately safeguarded against loss or theft. The School District should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage value. An inventory should be maintained that includes a description of each item, its cost, serial and/or model numbers, date of purchase, location, useful life, salvage value, depreciation information, fund and account used to purchase 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.

Monroe Local School District – Butler County

Financial Accounting Report

Capital Assets and Supplies Inventory

(Continued)

School District's Method of Accounting for Capital Assets

The Board has adopted formal policies regarding capital assets and inventory. The Board policies define capital assets as those tangible assets of the School District with a useful life in excess of one year and the School District intends to hold or continue in use over an extended period of time and an initial cost equal to or exceeding the amount of \$5,000. The classification of capital assets includes land, land improvements, building and improvements, furniture and equipment, vehicles and textbooks. All assets are capitalized at cost or historical cost. However, the policy does not address useful lives of capital assets that should be followed for depreciation calculation.

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 annually prepare a master list of all entity assets. Each principal/supervisor shall receive that portion of each report that relates to that building or department. It is the responsibility of the principal/supervisor to review and compare the reports to the fixed assets maintained in his/her area of responsibility. Any discrepancies are to be reported to the Treasurer for resolution. The last physical inventory to verify the existence of capital assets was completed in August, 2011 by an outside appraisal company. Also, the policy states that a physical inventory of supplies and audio/visual equipment is to be taken at the building level to meet the requirements for filing GAAP financial statements for consumable inventory on hand at fiscal year-end, June 30th. 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 (EIS) as part of the State software package. The Accounting Specialist verifies and inputs additions and deletions, and runs EIS 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 Specialist then inputs these items into the EIS system.

Obsolete Items: The principal/supervisor identify an item as obsolete and submit it to the Treasurer for final action. Per the policy, the Treasurer then should present the listing of obsolete assets to the Board however this has not been followed. Once approved, the Treasurer's office will make the necessary adjustments to the capital inventory when the item is disposed.

Worn-out or Damaged: The responsibility for worn-out or damaged capital assets will remain with the School District until they are sold or otherwise disposed of. Per the policy, a listing of these items is also to be provided to the Board for approval however this has not been followed.

Monroe Local School District – Butler County

Financial Accounting Report

Capital Assets and Supplies Inventory

(Continued)

Lost or Stolen: Lost or stolen items are reported and documented to the Treasurer. The Superintendent and Treasurer will investigate the matter and determine the appropriate action.

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.

Auditor of State Comments

1. The capital asset policy should be expanded to address useful lives of capital assets.
2. The capital asset policy requires the School District to conduct a complete inventory every year 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 follow their policy or update and approve policy changes over the physical count.
3. The capital asset policy requires the Treasurer to receive a list of all obsolete/worn out or damaged equipment. This list is to be presented to the Board prior to any action to be taken on these items. The Treasurer's office has been receiving a list of assets to be deleted. The School District should follow their policy or update and approve changes to the deletion of obsolete/worn out or damaged capital assets.

Monroe Local School District – Butler County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

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

Statutory Requirements

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

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

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

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

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

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

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

Monroe Local School District – Butler County

Financial Accounting Report

Cash Management and Investing

(Continued)

Federal Requirements

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

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

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

The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. The Treasurer reconciles the treasury with the accounting records. The School District maintains a general checking account, a payroll clearing account, the Yingr mutual fund investment account established for granting scholarships, a STAROhio investment account, and a STAR Plus investment account. Also, the School District maintains an athletic petty cash drawer and a cafeteria petty cash drawer for change purposes. These accounts are established at the start of each school year, by request of the various departments, and are receipted back to the Treasurer's office before year-end.

The Treasurer is responsible for the transfer of cash among the various bank accounts. Fifth Third Bank is used for the general checking account and the payroll checking account. The general checking account has been set up by Fifth Third Bank to sweep funds into the payroll checking account to cover all outgoing payroll checks. The Treasurer is responsible for the transfer of cash among investing activities and the general checking account at Fifth Third Bank. The Treasurer transfers money from STAR Plus to STAR Ohio and from STAROhio to the general checking account at Fifth Third Bank. Currently, the Payroll/Benefits Specialist and the Accounting Specialist also have electronic access to the accounts at Fifth Third Bank. Only the Treasurer and the Accounting Specialist have electronic access to STAROhio and STAR Plus.

The Fifth Third Bank checking account receives electronic transfers and daily deposits for the Monroe Local School District. Checks are written against this account for the daily operations, other than payroll, of the School District. The Yingr mutual fund investment account is maintained by investment advisor Marge Forrester, CPF. An individual from the community left a sum of money in her estate to be set aside in a scholarship fund. The account was set up in the School District's name. Quarterly, the Treasurer receives a statement of changes in market value and interest earned. She can also obtain this information online at any time. The online website is username and password protected. Each year, this account issues two student scholarships for \$1,000 each. The investment advisor determines the students who will receive the awards.

Monroe Local School District – Butler County

Financial Accounting Report

Cash Management and Investing

(Continued)

The Treasurer reconciles the bank accounts each month. She enters all bank balances on a spreadsheet, receipts any interest earned into the accounting system, prepares the list of outstanding checks, enters any outstanding items, and then compares the ending balance to the accounting system's balances. To identify outstanding checks at month end, the Treasurer pulls a list of checks that have cleared the bank from the online banking website into a tab delimited file. She then sends this list to SWOCA, where the file is automatically uploaded into the School District's accounting system. The Treasurer then runs an automatic reconciliation through SWOCA. Any discrepancies are researched and, if applicable, noted on the monthly cash reconciliations. Discrepancies may come from receipts, electronic transfers for payroll, or deductions from payroll checks. The Treasurer prepares 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 Treasurer or the Accounting Specialist. The voided checks are filed with the other check vouchers in numerical order and placed in a file cabinet.

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, STAR Plus accounts, and Yingr Scholarship account. Any changes in investments would be brought before the Board. Based on the Treasurer's recommendation, investments may be altered by Board decision.

The School District has two petty cash drawers: one for the athletic department and one for the cafeteria. The athletic checking drawer is used for the purpose of paying sporting officials, team entry fees, tournament fees, and referees. The athletic director issues a payment upon receiving proof of services rendered. The cashiers in the cafeteria maintain a balance of \$127 cash in each of their cash register drawers at the end of each business day. All other monies collected throughout the day are added into a deposit and taken to the bank. In order to obtain the cash for the petty cash funds, each department must make a request at the beginning of the school year for how much they would like to keep. If the amount requested meets the limits as determined by Board policy, the Accounting Specialist will issue a check on demand, made out to the applicable department. The Accounting Specialist will also give a copy of this check to the Treasurer. At the end of each school year, the Treasurer requires that the department repay the Treasurer's office for the total petty cash amount issued at the beginning of the year.

Auditor of State Comments

None

Monroe Local School District – Butler County

Financial Accounting Report

Financial Reporting

Description of Effective Method of Financial Reporting

The Treasurer should periodically provide the Board with reports setting forth year-to-date receipts, disbursements, outstanding encumbrances, and available fund balances for each fund of the School District. In addition, information concerning estimated and actual receipts, appropriations and disbursements plus encumbrances should be presented for the Board's review. On an annual basis, the Treasurer should prepare 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 South West Ohio Computer Association (SWOCA) which allows for standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports, including the revenue, budget and appropriation account summary reports, which are kept on file in the Treasurer's office.

During the monthly Board meetings, the Board members receive a Treasurer's Report. Included in this report is a fund balance report for all funds, a monthly bank reconciliation, a cash flow report for the General and Debt service funds (which show encumbrances), and an SM-2 report that compares monthly and year to date estimate and actual (for the general fund).

The School District did not prepare its fiscal year 2012 annual financial report in accordance with generally accepted accounting principles (GAAP). The School District issued a Modified Cash Basis report for fiscal year 2012. For fiscal year 2013, the School District has contracted with a converter to prepare GAAP annual financial reports.

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.

Monroe Local School District – Butler County

Financial Accounting Report

Financial Reporting

(Continued)

Auditor of State Comments

1. At the time the annual financial report is filed with the Auditor of State, the Treasurer must publish in the newspaper notice of the completion of the report and that the report is available for inspection. The School District has not published completion of the report in the newspaper.
2. The Treasurer did not file GAAP financial statements within one hundred and fifty days after the close of fiscal year-end in accordance with Section 117.38, Revised Code.
3. The Treasurer provides a financial report (monthly and fiscal year-to-date) that includes the general fund and debt service Fund and a fund balance report for all funds. The Treasurer should also include on the fund balance report the amount of outstanding encumbrances for all funds and the unencumbered fund balance.

Monroe Local School District – Butler County

Financial Accounting Report

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

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

Statutory Requirements

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

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

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

The School District's Method of Recording Official Proceedings

The Board typically holds their regular monthly meetings on the fourth Monday of each month. The Board receives an informational packet usually on the Wednesday before their scheduled meeting. The Treasurer takes notes on the agenda sheet during the Board meetings. From those notes the Treasurer prepares the discussion portion of the minutes, the accounts payable specialist prepares the resolution portion of the minutes and the Administrative Assistant proof reads the minutes. The minutes include a roll call of Board Members in attendance as well as a list of others that are in attendance, a summary of topics discussed, resolution numbers and a description of the resolution and 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 are kept in binders in the School District's administrative office by the Administrative Assistant to the Superintendent. The minutes also available on the School District's website.

Monroe Local School District – Butler County

Financial Accounting Report

Recording Official Proceedings

(Continued)

Auditor of State Comments

1. The Board receives a copy of contracts to discuss and vote upon at their monthly meeting. When the minutes are prepared the stated rates or the total contract amount is not consistently reported in the minutes.

Monroe Local School District – Butler County

Financial Accounting Report

Conclusion

The methods described and included in this report are based on our inquiries and discussions with School District personnel and the related procedures documented from the School District's Policy Manual, resolutions, Ohio Administrative Code and the Ohio Revised Code. 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 Monroe Local School District are not completely in compliance with Chapter 117 of the Ohio Revised Code and the requirements of the Auditor of State as disclosed throughout this report.



Dave Yost • Auditor of State

MONROE LOCAL SCHOOL DISTRICT

BUTLER 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
MARCH 27, 2014**