

OHIO AUDITOR OF STATE  
**KEITH FABER**



**Niles City School District**  
**Trumbull County, Ohio**  
**Report on Accounting Methods**



**Niles City School District, Trumbull County  
Report on Accounting Methods**

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# OHIO AUDITOR OF STATE KEITH FABER



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## CERTIFICATION

On February 26, 2019, the Niles City 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 Niles City School District.

Section 3316.10(A), Revised Code requires that the Board of Education of the Niles City 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 "Keith Faber".

KEITH FABER  
Auditor of State

December 22, 2020

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# Niles City School District – Trumbull County

## Financial Accounting Report

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### Purpose

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

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

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

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

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Governance Overview

Niles City 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 February 26, 2019, 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 Mayor;
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 Niles City 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.

Pursuant to Section 3316.07 of the Ohio Revised Code, 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 Auditor;
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.



## Niles City School District – Trumbull County

### Financial Accounting Report

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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 May 29, 2019, and includes the power to approve contracts entered into by the Niles City School District for personal services and employment contracts for all positions other than temporary positions and all purchases in excess of \$5,000.

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

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

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

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Budgetary Process

#### Description of an Effective Budgetary System

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

#### Statutory Requirements

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

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

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

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

# Niles City School District – Trumbull County

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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.

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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 after the adoption of an annual appropriation measure, but no later than November 30. 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.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### School District's Budgetary Process

The School District's formal approved policies regarding the budgetary process provide that annual appropriations shall be developed, approved and filed according to State statute and the requirements of the Auditor of State. The 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 measure 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 corrective action needed or taken to prevent further occurrences as part of the Treasurer's monthly report to the Board.

The Trumbull County Budget Commission has waived the requirement that the School District adopt a tax budget. In place of the tax budget, the budget commission requires alternative tax budget information which includes the following schedules: Statement of Fund Activity for the General fund, Bond Retirement fund and any other funds requesting property tax revenue, Statement of Fund Activity by Fund Type and a schedule of Voted and Unvoted Note and Bond Debt. The alternative tax budget information for fiscal year 2021 was adopted by the Board on December 17, 2019. Once the alternative tax budget is adopted, it is filed with the budget commission no later than January 20. The budget commission determines the amount of millage and calculates the estimated revenue by levy.

On April 23, 2020, 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 2021.

After the close of the fiscal year, the Treasurer submits to the County Auditor the unencumbered cash balance of each fund and requests an amended certificate of estimated resources that includes the actual unencumbered fund balances from the preceding year. The amendments to the certificate of estimated resources are posted to the accounting system at the time when the Treasurer prepares the documentation.

On June 30, 2020, the Board of Education adopted a permanent appropriation measure for fiscal year 2021, at the fund level for all funds, prior to the start of the new fiscal year. The permanent appropriations are based upon prior years' history and currently known facts. The Treasurer keeps spreadsheets that track estimated resources and appropriations. The Treasurer compares the appropriations on the spreadsheet to the estimated resources to make sure that the total appropriations do not exceed total estimated resources. The Treasurer submits permanent appropriations to the Budget Commission following adoption by the Board.

Throughout the year, the Board approves additional appropriations as needed. Additional amended certificates are requested if needed, but frequently only one or two amendments are requested in a fiscal year. Each time changes to appropriations or estimated resources are requested, the Treasurer sends the spreadsheets showing the total estimated resources and the total appropriations to the County Fiscal Officer along with the requested adjustments. Upon closing the fiscal year, the Treasurer submits the final Board approved appropriation measure to the budget commission and at the same time submits a request for a final amended certificate of estimated resources. 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 a 412 Certificate to certify that the School District has sufficient revenue to support those appropriations for the fiscal year.

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Appropriations for all student activities are set at the fund level in the appropriation measure. At the beginning of the year, the Board approves those student activity programs it wishes to be operational. The Budget and Purpose Forms are prepared by the activity advisor and approved by the building principal, Athletic Director, Treasurer and the Superintendent. The form identifies the activity, purpose, planned fundraisers, fund balance at the start of the fiscal year, total estimated revenues, total estimated expenditures and estimated fund balance at the end of the fiscal year. The Student Activity Handbook states that if an activity, purchase or receipt takes place during the school year and it is not listed on the Budget and Purpose Form for the year, the form must be amended. A final revised budget is also required to be approved in May.

All Board approved permanent appropriations are entered into the computer system after they are passed. The School District receives a certificate from the County Auditor that appropriations from each fund do not exceed the official estimate of resources. If additional or new appropriations are passed, the amounts are entered into the system by the Treasurer.

The Treasurer compiles monthly revenue and expenditure reports that compare actual amounts to approved estimated revenues and appropriations. If actual amounts deviate from what the budgetary documents denote where the School District should be at that time in the fiscal year, the Treasurer evaluates whether a budgetary amendment needs passed and prepares it for Board approval. All revenue and appropriation changes are entered into the School District's accounting system by the Treasurer at the time of approval. The Treasurer compares estimated revenues on the amended certificate to the estimated revenues in the accounting system each time a new amended certificate is prepared.

Each year the Treasurer prepares a five-year forecast, including assumptions, that is approved by the Board of Education and filed with the State Department of Education by November 30. 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 her office with the documentation that was used to prepare the forecast.

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

1. Total final appropriations for fiscal year 2020 exceeded estimated resources plus carryover balances in the title IV-B special revenue fund in violation of Section 5705.39, Revised Code.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Revenue Activity

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

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

#### Statutory Requirements

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

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

#### School District's Receipt Process

The School District's primary sources of revenues include property taxes collected and remitted by the County Auditor and Treasurer, State Foundation program revenues and Federal and State grants both of which are remitted to the School District from the Ohio Department of Education. The School District also collects student fees and admissions for athletic events at the various school buildings and charges for school lunches served in their cafeterias. Monies are received by the School District via wire transfer, through the mail 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.

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The process for depositing and recording of receipts varies depending on whether the receipt is received directly by the Treasurer's office or if the receipt is received by another department or collection point. The Treasurer's office directly receives some receipts by wire transfer, which will be discussed specifically in the Treasurer's office section, as well as some miscellaneous receipts that are received through the mail or by individuals coming in to make a payment at the Treasurer's office and/or the central office. Any checks or cash received by mail are added and/or counted by the Budgetary Clerk. If cash or check is received in person, the employee fills out a two part hand-written receipt form. The white copy of the receipt is given to the payee and the yellow copy stays in the receipt book. The receipts are secured in a locked vault room in the back of the Treasurer's office. By the next business day, the Budgetary Clerk fills out a two part deposit slip and takes the deposits received directly by the Treasurer's office to the bank. The white copy of the deposit slip goes to the bank and the yellow copy is stapled to the bank receipt. The Budgetary Clerk posts the receipts to the system and prints out two copies of the system receipt. System receipt numbers are assigned according to a handwritten receipt register. The Budgetary Clerk attaches one copy of the system receipt to the corresponding white copy of the pay in order and yellow deposit slip and files them numerically in monthly folders. The second copy of the system receipt is filed numerically in a binder in the Budgetary Clerk's office for quick reference.

Receipts collected at the various school buildings for school fees/fines, student activities, athletic receipts and cafeteria monies are turned over to the designated employee responsible for collecting, depositing and recording the receipts on a pay in order. The employee counts the money, fills out a two part deposit slip and takes the receipts to the bank. The employee will also fill out a three part pay in order. The white and yellow copies of the pay in order are forwarded to the Treasurer's office along with the yellow copy of the deposit slip and bank receipt to be used for posting the receipt to the system. The pink copy of the pay in order is retained by the employee. The Treasurer's office will assign and write in a system receipt number on the yellow copy of the pay in order and send it back to the employee. The white copy of the pay in order will be filed in the Treasurer's office. Receipts collected at the various buildings are discussed in more detail in the following section.

#### 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 advisor. School fees/fines are turned into the teacher or building secretary. Cafeteria monies are turned into the Food Service Director. The daily receipts are secured in a safe or locked drawer. Once a day, the employee prepares a three part pay-in order for each type of receipt. The pay-in order includes the date, dollar amount of the receipt, a description of the receipt and the revenue account code for posting. The employee also fills out a two part deposit slip and takes the deposit to the bank. After making the deposit, the employee sends the white and yellow copies of the pay in order along with the deposit slip to the Treasurer's office.

*Athletic Event Receipts:* The School District charges an admission fee for high school and middle school athletic events. The ticket sellers are adults only. The Athletic Director is in charge of receipt collection for athletic events. When a ticket is sold, a ticket is given to the buyer. Tickets are sold at the gate/door for the event. Varsity football tickets are also available on presale before the game. Upon entrance to the game, the ticket seller/taker rips the ticket in half and gives it back to the customer.

For presales and athletic events other than varsity football, the Athletic Director is responsible for counting the money and completing the Ticket Report form which is used to reconcile cash received to tickets sold. This form includes the type of event, date, ticket type (student or adult), ticket starting number, ticket ending number and dollar amount of ticket sales. After counting the monies, the Athletic Director fills out a two part deposit slip.



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For varsity football games, after all sales are completed, the ticket sellers are responsible for counting the money and turning it into the Ticket Manager along with the unsold tickets. The Ticket Manager recounts the money and fills out the Ticket Report. The Ticket Report used for varsity football games includes the name of the opponent, date, the ticket starting and ending numbers for each ticket window, the starting cash and the dollar amount of ticket sales for each window and the total dollar amount of all ticket sales. Immediately following the end of the game, the Athletic Director recounts the money and verifies that the information on the Ticket Report is correct.

The School District has a Board approved policy in place for the use of change funds. The Athletic Department utilizes a change fund to provide start-up cash for varsity football games. Following the end of the game, the start-up cash is returned to the locked safe in the Athletic Director's office.

The Athletic Director fills out a two part deposit slip for the receipts and takes the deposit to the bank. For big ticket events, such as varsity football, immediately following the event, the Athletic Director has a police cruiser follow him to the bank to make a deposit by placing the bank bag containing the monies and the deposit slip in the drop box. The following day, the Athletic Director picks up the bank bag containing the yellow copy of the deposit slip and the bank's receipt. For smaller ticket events, the Athletic Director places the receipts overnight in a locked safe in his office and takes the deposits to the bank the following day.

The Ticket Report along with the yellow copy of the deposit slip and bank receipt are given to the Athletic Director's Secretary who reviews the Ticket Report and prepares a three part pay-in order. The white and yellow copies of the pay-in order are forwarded along with the yellow copy of the deposit slip and bank receipt to the Budgetary Clerk in the Treasurer's office.

The Athletic Director tracks all ticket sales information from the various athletic events on a spreadsheet. This spreadsheet also tracks the number of workers and the cost of officials, maintenance and police for each athletic event.

The School District also offers athletic passes for adults, families and senior citizens. The Athletic Director tracks the sale of athletic passes on a form that lists the date, individual's name and whether they paid by cash or check. There is a separate monthly form for each type of pass. The Athletic Director or the Athletic Director's Secretary will also fill out a two part pre-numbered hand-written receipt form. The white copy of the receipt is given to the payee and the yellow copy stays in the receipt book.

*Student Activity Receipts:* The Student Activity Handbook outlines all procedures and policies relating to student activities. Each October, the Board approves the Budget and Purpose Forms for all student activities that it wishes to be operational. The Budget and Purpose Form lists the planned fundraisers and the anticipated revenue and expenditures for each fundraiser.

The student activity advisors must submit a Sales Project Potential Form for each fundraiser which details the proposed project, quantity of goods to be ordered and projected sales of the fundraiser. The top portion of this form is signed and dated by the student activity advisor and submitted to the building principal for approval. After the building principal signs the top portion of the Sales Project Potential Form it is sent to the Athletic/Activity Director, Superintendent and Treasurer for signature. Upon the collection of all five signature approvals, the fundraiser may commence.

Upon receipt collection, the student activity advisor fills out a deposit slip and takes the receipts to the bank. After making the deposit, the student activity advisor prepares a pay-in order. The white and yellow copies of the pay-in order are forwarded along with the yellow copy of the deposit slip and bank receipt to the Budgetary Clerk in the Treasurer's office. The Budgetary Clerk will post the receipts to the system and then write in the system receipt number on the yellow copy of the pay in order which is sent back to the student activity advisor for their records.

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Once the fundraiser is completed and all monies have been deposited, the student activity advisor fills out the bottom portion of the Sales Project Potential Form which details the actual amount of total sales, the cost of goods sold and the amount deposited with the Treasurer. If any goods are not sold, this is noted on the Sales Project Potential Form. The student activity advisor must sign the bottom of the Sales Project Potential Form and submit it to the building principal for approval. After the building principal signs the bottom portion, it is sent to the Athletic/Activity Director, Superintendent and Treasurer for signature. Once all signatures have been collected, the form is filed in the Treasurer's office.

The School District holds various fundraisers. For most fundraisers, goods are only ordered after customer orders and money have been collected. Goods are ordered ahead of time for candy sale fundraisers. In a candy sale fundraiser, the student activity advisor pays for and picks up the boxes of candy. The student activity advisor only buys as many boxes as he or she knows can be sold. If more candy is needed as the fundraiser continues, the student activity advisor will return to the store and purchase additional boxes. If any candy is left over, it is kept as inventory to be sold in the near future.

Receipts from Student Fees and Fines: Elementary and middle school students are not charged student fees. High school students are charged standard fees for certain classes, such as science and art. The Board sets the class fees prior to each school year. All students are charged fines for lost or damaged books.

At the beginning of the school year, the class fees assigned to high school students are loaded into the Student Information System (SIS). Student class fees are waived for students that qualify for a free or reduced lunch. The instructional fee waiver is included on the Free and Reduced Meals Application Form. The Food Service Director sends the building secretary a list of the students that qualify for a free or reduced lunch. The building secretary then manually removes fees from the student's account in the computer system so that they are no longer reported as due.

Student fees and/or fines are usually turned into the teachers. In some cases, a student or parent will pay the fee/fine money to the building secretary. If the fee money is turned into the teacher, he or she will bring the monies to the building secretary along with a Teachers' Fee Receipt Form. This form includes the teacher's name, date, type and dollar amount of each fee, the quantity of each type of fee collected and a total amount for all fees collected.

Upon receiving the fee/fine money, the building secretary enters the payment into the SIS program and generates a system receipt from SIS. The building secretary prints out three copies of the system receipt. One copy is given to the student or parent, a second copy is given to the student's teacher and a third copy is kept by the building secretary. The building secretary secures the receipts along with a copy of the system receipt in a locked safe. On a daily basis, fee/fine receipts are not typically very significant. Typically once a week, the building secretary prepares a Fees Deposit Summary for the receipts. The building secretary recounts the money, fills out a two part deposit slip and takes the receipts to the bank in a bank bag. As of this time, the Treasurer has recently sent out a copy of School District's policy regarding the depositing of receipts to all buildings. Per the Board approved policy, receipts are to be deposited not more than one business day following the date of receipt.

Prior to the end of the school year, the teachers fill out an End of Year Student Fee List and End of Year Lost/Damaged Book Fines List which list all students that have any unpaid class fees or book fines. The teachers turn these two sheets into the building secretary. The building secretary reviews and compares them to her records in the SIS program. A student's outstanding fees will usually be noted on their report card. If a student has outstanding fees/fines remaining as of their senior year, the building secretary will send a letter home notifying the student's parents. Any unpaid fees and/or book fines must be paid before the student can receive their graduation diploma.

## Niles City School District – Trumbull County

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*Cafeteria Receipts:* The School District utilizes The Nutrition Group to manage its food service program. Their duties include supervising staff, ordering food used in breakfast and lunches, compiling data for CN6 and CN7 submissions, tracking cash and submitting receipts for all deposits made and reporting all documentation for invoices and debarment/suspension. An employee from The Nutrition Group has been assigned to the School District and serves as the Food Service Director.

Students pay for breakfast or lunch with cash daily or they may prepay. Students can prepay by giving cash or check to the cafeteria cashier. The student or the student's parent may also prepay by logging in online to the Payschools website to view and replenish the student's lunchroom account balance. In some cases, the student may give money to their teacher who brings it to the building secretary who then turns it into the cashier.

The School District uses the Payschools 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), student identification number and a picture of the student. The system updates and tracks each student's lunchroom account balance.

All students are given an identification number that when entered into the pin pad brings up their account for the cashier. The cashier enters either a regular lunch or ala carte items and then a total is shown as paid if the student has a prepaid balance on their account or if they are eligible for a free lunch. If the student has not prepaid and is not eligible for a free lunch, the student gives their lunch money to the cashier. The School District will allow up to two weeks of charging regular lunches for students that do not have lunch money or have not prepaid after which only small ala carte items may still be charged at the discretion of the cafeteria staff. The Food Service Director will send letters home with the student for those students that owe cafeteria monies.

The Payschools system generates lunchroom reports which total meals served and monies collected. Each school building has two employees that serve as cashier. The cashier for each register counts the money and closes out and balances the cash register at the end of each lunch day. When the cashiers close out their register the point-of-sale system automatically generates a Close Drawer Report which is sent to the Head Cook to be printed out. The Head Cook will also print out a Daily Drawer Report and a Daily Cash Reconciliation Report which are automatically generated and total the amount of sales from both building cash registers. The cashiers give the monies to the Head Cook who recounts the monies and verifies that total monies collected matches the breakfast and lunch sales entered in the database system. The Head Cook prints out the system generated CN-6 Breakfast and CN-7 Lunch Daily Worksheets which total the number of meals served and the dollar amount of breakfast and lunch sales and paperclips these along with the Daily Drawer and Cash Reconciliation Reports. The Head Cook then prepares a two part deposit slip and takes the deposit in a zippered bank bag to the bank. The Head Cook keeps the daily reports along with the yellow copies of the deposit slip and bank receipts in a folder and turns them into the Food Service Director at the end of each week. The Food Service Director uses the system generated Daily Sales Reports along with the reports received from the Head Cooks to prepare a Weekly Deposit Reconciliation Form to reconcile the weekly cafeteria receipts to the system reports and deposit slips. The Food Service Director gives a copy of the Weekly Deposit Reconciliation Form along with the CN-6 and CN-7 Reports and the yellow copies of the deposit slips and bank receipts to the Budgetary Clerk to use for posting the receipts to the accounting system.

The Food Service Director prints out the monthly CN-6 and CN-7 Reports from the Payschools system and uses them to enter information into the Ohio Department of Education's Claims Reimbursement Reconciliation System (CRRS) for Federal and State meal subsidies. The subsidies are received via wire transfer and a system receipt is posted by the Budgetary Clerk, in the same manner as other payments from the Ohio Department of Education, as described below.

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The cafeterias in the four school buildings use a change fund to provide start-up cash. Prior to the beginning of the school year, the Food Service Director requests the start-up which is given to each Head Cook at the annual Head Cook meeting. The Head Cooks sign a form stating that they have received the money. At the beginning of each day the start-up cash is put into the cash register by the staff member working the register. At the end of each day, the start-up cash is removed from the register and secured in a locked drawer in the Head Cook's office. The start-up funds are deposited back into the bank, using a separate deposit slip, at the end of each school year.

#### Treasurer's Office:

The Treasurer's office receives property taxes from the County by wire transfer to the School District's Cortland Bank general account. State foundation, property tax allocations and most Federal and State grants are received by the Treasurer's office by wire transfer to the School District's STAR Ohio account. The Treasurer reviews the online daily activity reports for the STAR Ohio account for wire transfers that have been received. The Treasurer identifies the proper account codes and prepares a summary sheet for posting gross receipts to the proper revenue account. Any deductions, such as administrative fees, are booked as memo expenditures. The Treasurer verifies the gross amounts booked for receipts and expenditures net to the amount wire-transferred to the appropriate accounts.

Receipt of State Foundation: State Foundation monies are wire-transferred bi-monthly to the School District's STAR Ohio account from the Ohio Department of Education. The foundation settlement sheets which identify the various sources of State aid are printed from the Ohio Department of Education's web page by the Treasurer. The amount of the wire transfer is compared 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 Treasurer prepares a state foundation summary sheet which lists the proper accounts for posting. The summary sheet details the revenue side of the foundation settlement and the deductions which are posted as memo expenditures. The state foundation summary sheet and the foundation settlement are stapled together along with the system receipt and filed in the Budgetary Clerk's office.

Receipt of Property Taxes: The Treasurer identifies the proper account codes for gross property tax receipts and deductions and prepares a property tax summary sheet using information from the tax settlement sheet. The Treasurer verifies that the net property tax receipts on the tax settlement sheet match the amount wire transferred from the County. The gross property tax receipts and deductions are booked to the general fund, the bond retirement fund and the classroom facilities maintenance special revenue fund. The property tax summary sheet and the tax settlement sheet are stapled together along with the system receipt and filed in the Budgetary Clerk's office.

Receipt of Property Tax Allocations: Homestead and rollbacks are wire-transferred twice a year to the School District's STAR Ohio account. The Treasurer identifies the account codes for gross receipts and deductions and prepares a homestead and rollback summary sheet using information from the tax settlement sheet.

Receipt of Grant Monies: The School District participates in various Federal and State grant programs. The Treasurer enters the budget for each grant into the 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. Before each pay as well as on the last business day of the month, the Treasurer will review the OH Cash Position report, which is a summary of all fund activity and ending balances, and complete an on-line CCIP Project Cash Request.

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The Treasurer or Budgetary Clerk checks the ODE website at least once a week to view the CCIP grant monies that were wire-transferred to the School District's bank account. The ODE website has a "Details" button that can be clicked for each payment that provides detailed receipt information for that specific ODE payment. By reviewing the detailed information, the Treasurer can identify the grant proceeds. The amount wire-transferred per the Ohio Department of Education's website is also matched to the bank statement by the Treasurer.

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

1. The various buildings and departments will typically hold receipts totaling less than \$1,000 for a week before depositing the receipts. Section 9.38, Revised Code, requires that receipts not exceeding \$1,000 to be deposited within three business days. The School District's policy currently requires that receipts be deposited not more than one business day following the day of receipt.

# Niles City School District – Trumbull County

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### Purchasing Process

#### Description of an Effective Method for Purchasing

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

#### Statutory Requirements

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

Certification of the Fiscal Officer: Pursuant to Revised Code Section 5705.41(D), each contract or order for the expenditure of money must be accompanied by a certificate of the fiscal officer of the political subdivision that the amount required to meet the obligation or, in the case of a continuing contract to be performed in whole or in part in an ensuing fiscal year, the amount required to meet the portion of the obligation to be performed in the fiscal year in which the contract is made, has been lawfully appropriated for such purpose and is in the treasury or in process of collection to the credit of an appropriate fund free from any previous encumbrance. This certificate needs to be signed only by the political subdivision's fiscal officer. Additionally, the political subdivision may utilize blanket purchase orders for authorizing obligations for a particular purpose that do not extend beyond fiscal year-end in an amount established by the Board. A general certification of this type may be established for any appropriation line item and need not identify a specific vendor. This type of purchase order is used for routine recurring items or for unanticipated emergencies.

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

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

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

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

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

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

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

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

Bidding: School district contracts to build, repair, enlarge or demolish any school building in excess of \$50,000 are to follow the competitive bidding requirements in Section 3313.46, Revised Code. Items not requiring competitive bidding include:

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

Section 9.231(A)(1), Revised Code, provides that a governmental entity shall not disburse money totaling \$25,000 or more to any person for the provision of services for the primary benefit of individuals or the public and not for the primary benefit of a governmental entity or the employees of a governmental entity, unless the contracting authority of the governmental entity first enters into a written contract with the person that is signed by the person or by an officer or agent of the person authorized to legally bind the person and that embodies all of the requirements and conditions set forth in Sections 9.23 to 9.236 of the Revised Code. If the disbursement of money occurs over the course of a governmental entity's fiscal year, rather than in a lump sum, the contracting authority of the governmental entity shall enter into the written contract with the person at the point during the governmental entity's fiscal year that at least \$75,000 has been disbursed by the governmental entity to the person. Thereafter, the contracting authority of the governmental entity shall enter into the written contract with the person at the beginning of the governmental entity's fiscal year, if, during the immediately preceding fiscal year, the governmental entity disbursed to that person an aggregate amount totaling at least \$75,000.

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

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

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

Financial Planning and Supervision Commission - Under Section 3316.07, Revised Code, the Commission assumes the power to approve personal service, employment and collective bargaining contracts, approve all contracts above \$5,000, and have all purchase orders reviewed by the fiscal monitor.

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

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

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



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When goods or services are needed at a school building, a requisition is completed. The School District recently transitioned to using online system requisitions. The building secretaries and department heads have been given access to the requisition application in the e-Finance system. They can sign into the system and create a system requisition. The employee enters the information needed to create the requisition, including the originator, vendor, date of request, type and quantity of items requested, price and any shipping costs. The system automatically assigns the next available requisition number to each requisition. The online requisition must then be approved by the building principal, Treasurer and Superintendent. An email is automatically sent to these three individuals notifying them of the requisition awaiting approval. Upon all three approvals being made in the system, the requisition is automatically converted into a purchase order.

The accounting system assigns the next available purchase order number and records an encumbrance automatically. Once the purchase order has been created in the system, the Budgetary Clerk prints out three copies of the purchase order. The gold copy (receiving order) is sent to the building where the requisition originated to be returned to the Budgetary Clerk upon verification of receipt of the goods or services. The pink copy is filed in a binder in the Treasurer's office for quick reference and the white copy is retained by the Treasurer's office temporarily prior to the bill being paid after which time it is shredded. The purchase order is also scanned and emailed to the vendor upon request. The purchase order includes the electronic signatures of the Treasurer and Superintendent. If the contract is over \$25,000, it must also be approved by the Board through resolution.

Active vendors are maintained in the system. The Treasurer and Budgetary Clerk are the only individuals who can add new vendors to the system while the system automatically assigns the vendor a number. When a request is made to add a new vendor, a W-9 is filled out and obtained from the vendor. The Budgetary Clerk maintains the hard copies of vendor W-9's. Prior to payments to vendors being made, the Treasurer's office uses a program called the Electronic Vendor Audit System (eVAS). The eVAS program is a hosted web-based application that prevents and detects vendor payment fraud, assists in regulatory compliance and reduces manual errors in account payables. All vendor payments are run through the eVAS database which will show if there are any findings for recovery against a vendor.

If a purchase order is entered for an amount which exceeds appropriations, the computer system will display a warning message but will still allow the Budgetary Clerk to proceed with the purchase order. The Budgetary Clerk will notify the Treasurer of the negative budget account. If there is cash available in the fund, the Treasurer will make a transfer between the various appropriation accounts, within the legal level of control established by the Board, to cover the deficiency in the accounts within the legal level of control established by the Board.

The School District purchases goods and services with blanket and super blanket purchase orders as needed. For the School District, blanket purchase orders are used in areas such as tuition reimbursement, meeting/mileage reimbursement, online textbooks and office/instructional supplies. Super blankets are used for food service, utilities and transportation. Expenditures made against blanket and super blanket purchase orders are tracked by the Budgetary Clerk who handwrites the expenditure amounts on the back of the purchase order. The Budgetary Clerk subtracts the expenditures charged from the total amount and writes in the new amount remaining on the blanket or super blanket purchase order. In June 2019, the Board adopted a resolution authorizing the maximum dollar amount for blanket purchase orders to be \$250,000 and super blanket purchase orders to be \$2,000,000.

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“Then and Now” purchase orders are prepared for purchases without prior approval. “Then and Now” purchase orders must be approved by Board resolution if greater than \$3,000. If they are \$3,000 or less, 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.

Prior to the end of the fiscal year, the Treasurer and the Budgetary Clerk 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. When the amount left on a blanket or super blanket purchase order is getting low, the remaining funds are used and then a new blanket or super blanket purchase order will be opened.

Contracts which exceed \$50,000 are given to the Treasurer to make the necessary arrangements for public bidding. The Board authorizes the School District to advertise for bids. Interested vendors notify the Treasurer’s office and they are sent a bid packet. Bids are received by a set date at a bid opening and a list of vendors and bid amounts is created. The Treasurer and the Superintendent review and discuss the information. The Superintendent makes a recommendation to the Board. The Board, by resolution, awards the contract. When feasible, purchases or contracts under \$50,000 that are purchased through the Treasurer’s office are based on price quotations submitted by at least two vendors.

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

None.

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## Financial Accounting Report

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### Cash Disbursements

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

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

#### Statutory Requirements

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

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

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

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

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### Administrative Code Requirements

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

### School District’s Cash Disbursement Process

Per Board policy, the employee who initiated the purchase requisition and the Budgetary Clerk are responsible to ensure that goods and services are received prior to payment. When the goods or services have been received, the employee at the building who receives the shipment of goods verifies the contents to the packing slip and the receiving order. If all goods are not received or incorrect items are received, the employee will contact the vendor and resolve the issue accordingly. Once the goods or services have been verified as received, the receiving order is signed by the employee and sent to the Budgetary Clerk. Upon getting the receiving order, the white copy of the purchase order is shredded.

The majority of invoices are received directly by the Budgetary Clerk; however, some invoices will arrive at the school buildings. When this happens, the invoice will be sent to the Budgetary Clerk. Upon receiving the invoice, the Budgetary Clerk will compare the items, quantities, and unit price to the receiving order to make sure amounts match and that everything invoiced was actually received. If no purchase order exists for an invoice, the employee responsible for the order is notified and requested to process a requisition. Upon approval of the requisition, a purchase order is created for the invoice.

The invoice and receiving order waiting to be paid are paper clipped together and filed alphabetically in a separate vendor file known as the “accounts payable file” in the Budgetary Clerk’s office. The system requisition is not printed out but can be viewed in the system.

The Budgetary Clerk enters the data that creates a voucher into the School District’s computer system by entering the vendor, account code, invoice number, purchase order number, invoice date and amount which creates a check in the system. If the invoice date entered is prior to the purchase order date, the system will notify the Budgetary Clerk. The Budgetary Clerk will then stamp the receiving order with a “Then and Now” certificate stamp. The Treasurer reviews and approves the “Then and Now” purchase orders prior to the processing of checks. Board approval is required if the “Then and Now” purchase order is over \$3,000.

In the majority of instances, payment is not made on an order until all goods have been received. Once the remainder of the order is received, the receiving order is sent to the Budgetary Clerk who compares it to the invoice.

In rare instances, a partial payment will be made if all the goods are not received at the same time. This occurs if a particular vendor contacts the Treasurer’s office insisting to receive partial payment for the goods that were delivered. In this case, the building employee makes a copy of the receiving order and marks which items were received. The building employee signs the copy of the receiving order and sends it to the Budgetary Clerk. The Budgetary Clerk matches the copy of the receiving order with the items received marked to the invoice to make sure that everything invoiced was actually received. The Budgetary Clerk writes the amount of the partial payment on the copy of the receiving order.

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### Financial Accounting Report

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Prior to printing checks, the Budgetary Clerk runs a Cash Requirements report and compares this to the individual vouchers to ensure that the checks are payable to the same vendor and the amount agrees to the invoice. If an invoice is wrong or if it exceeds the purchase order amount, the Budgetary Clerk investigates the difference and contacts the vendor to notify the vendor of the error. The error is then resolved accordingly. If the discrepancy resulted from an error by the School District, the Treasurer will verify that sufficient funds were available at the time to cover the higher price and will approve the increase. The corrected amount is written on the purchase order and it is marked as complete. In instances when the invoice exceeds the purchase order by more than 10 percent, the original purchase order is cancelled and a new purchase order is issued for the correct amount.

The Budgetary Clerk uploads all payments to be processed to the Electronic Vendor Audit System (eVAS) program which checks for any findings or suspensions against vendors and flags any potential manual errors such as duplicate invoice numbers for the same or different purchase order numbers. The Treasurer receives an email notifying her that the payments to be processed have been uploaded to eVAS. The Treasurer logs into the eVAS system and reviews and approves the vouchers for payment.

Checks are normally printed once a week. The blank check stock paper is kept in a locked vault room in the back of the Treasurer's office. The check stock paper is completely blank and does not contain the school name, account number, check number or any other information. This information is printed on the check through the check printing process. The Budgetary Clerk uses the e-Finance program to generate, electronically sign and print the checks. The check printing program is user name and password protected. The Treasurer and the Budgetary Clerk have security access for printing budgetary checks. The Budgetary Clerk then mails the check along with the remittance form and removes the voucher packet from the "accounts payable file" and attaches a copy of the check to the front of it.

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

1. The original copy of the check is sent to the vendor along with the remittance form for payment.
2. The green copy of the check is attached to the voucher packet and filed in the Treasurer's office.
3. The pink copy of the check is filed in a drawer in the Treasurer's office for quick reference.

The voucher packet includes the green copy of the check, the invoice and the receiving order. All voucher packets are kept in a filing drawer in the Treasurer's office and are filed numerically by check number.

If a check is voided, the Budgetary Clerk handwrites "VOID" on the check and enters it into the accounting system. The voided checks are filed separately in numerical order in the Budgetary Clerk's office.

#### **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.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Payroll Processing

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

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

#### Statutory Requirements

The following State statutes apply:

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

Chapter 3307, Revised Code, for the State Teachers Retirement System (STRS) and Chapter 3309, Revised Code, for the School Employees Retirement System (SERS), require school districts to enroll most of their employees in the appropriate retirement system, withhold from the employees' wages, or pay on behalf of the employees, a certain percentage of earned wages as defined and to pay over to the appropriate retirement system the amounts withheld, matched with an appropriate percentage for employer contributions.

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

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

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

Section 4117.03(A)(1), Revised Code, gives public employees the right to form, join, assist, or participate in, or refrain from forming, joining, assisting, or participating in, except as otherwise provided in Chapter 4117 of the Revised Code, any employee organization of their own choosing.

# Niles City School District – Trumbull County

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The following additional code sections provide authority for appointment and compensation of officials and employees of a school district. Section 3313.12, Revised Code, for school board member compensation and mileage; Section 3313.24, Revised Code, for compensation of school treasurers; Section 3319.01, Revised 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 of Education has adopted formal policies for the payroll process regarding payroll authorization and payroll deductions. The employment of all School District personnel must be approved by the Board. Deductions are made from an employee's paycheck upon proper authorization on the appropriate form.

All full and part-time employees are compensated biweekly, except Board members who are compensated semi-annually. There are approximately 267 full and part-time employees within the School District. The School District's pay period for all employees begins on Saturday and ends on Friday, fourteen days later. Employees are paid on Friday, fourteen days after the pay period ending date. Any overtime or extra time earned during the pay period is paid in the following pay period.

In addition to their bi-weekly pay, employees may receive additional amounts along with their regular compensation for supplemental contracts, extra pays, stipends or longevity. Direct deposit is required for all full-time and part-time employees of the School District. Direct deposit is also required for all substitutes and others who are paid by the School District. Employees receive a pay stub as a PDF through email on the Thursday before payday which includes an earnings statement portion that indicates gross and net earnings, withholdings (year-to-date and for the pay period), leave usage during the pay period, and leave balances as of the end of the pay period.

All certified and non-certified employment applications are received and kept on file in the Superintendent's office. Recommendations for employment are made to the Board by the Superintendent and are recorded in the minutes by the Superintendent's Secretary. Copies of all employee records, transcripts, licenses and evaluations are kept in a personnel file in the Superintendent's office. Financial data, such as withholding forms and other payroll related data, are kept on file in the Treasurer's office.

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

Administrators: Administrators include the Superintendent, Principals, Assistant Principals, Treasurer and department supervisors. Individual administrative contracts are prepared by the General Data Clerk based upon contract provisions approved by the Board. The contract provisions establish the annual rate of pay, annual vacation days to be credited, sick leave accrual, insurance benefits, job duties and expectations for each employee. The contracts are reviewed and approved by the Board. Contracts for certified administrators, the Superintendent and the Treasurer run from August through July. Contracts for classified administrators typically run from July through June. Contracts are paid bi-weekly. The signed contracts are kept on file in the Superintendent's office.

## Niles City School District – Trumbull County

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Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Niles City Board of Education and the Niles Education Association. The current contract covers the period September 1, 2019 through August 31, 2022. The negotiated agreement establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the negotiated agreement identifies the annual amount of personal leave to be credited and sick leave accrual amounts for certified employees. Certified employees do not earn vacation. Per the negotiated agreement, all certified employees are paid bi-weekly.

Individual teacher contracts are prepared by the General Data Clerk in the Treasurer's office. The General Data Clerk prepares three copies of each contract. The pink copy of the contract is retained by the Treasurer's office and the white and yellow copies of the contract are sent to the employee. The yellow copy is signed and returned to the Superintendent's office to be kept in the employee's personnel file and the white 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 teachers' contracts are normally mailed in June. After an employee has entered into a continuing contract, only a salary notification letter is given to the employee in the following years. Salary notices are prepared by the Payroll Clerk and either emailed or mailed out to the employees in late May or June. Prior to being mailed out, the salary notices are reviewed and signed by the Treasurer and Board President. If employees disagree with the contract amount on the salary notice, they can contact the Treasurer's office to resolve the issue.

The Payroll Clerk enters the master salary schedule into the payroll system which automatically assigns the appropriate salary to each employee based on the information entered for the employee. The contract amounts in the payroll system are matched to the individual salary notices to verify that the amounts in the system are correct. The payroll system calculates the amount to be paid to each employee bi-weekly.

For any change that results in a pay schedule adjustment, the teacher is required to notify the Superintendent's office so contract changes can be approved and processed. The Superintendent's office requires the teacher to provide a copy of their transcript to support the change by the first week of the semester. The Superintendent's Secretary sends a copy of the Board agenda listing the employees to be approved for pay rate changes to the Payroll Clerk. The Payroll Clerk uses this information to update the employee's contract amount in the payroll system. The payroll system calculates the amount to be paid to each individual bi-weekly.

Classified Employees: Salaries and benefits for custodians, bus drivers, cafeteria workers, secretaries, and aides are governed by a contract negotiated between the Niles City Board of Education and the Ohio Association of Public School Employees. The current contract covers the period September 1, 2019 through August 31, 2022.

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

Classified employees do not receive individual contracts but instead receive a salary notice each year. The procedures for preparing and either emailing or mailing out the salary notices as well as entering the contract amounts into the payroll system are the same as those described for certified employees.



## Niles City School District – Trumbull County

### Financial Accounting Report

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Timesheets are not used to record regular hours but only to record overtime and/or extra time worked. The timesheet used to record overtime for custodians, cafeteria workers, secretaries and aides lists the employee's name and any overtime hours worked each day in the two week pay period. The timesheet used to record overtime for the bus drivers is prepared weekly and lists the employee's name as well as detailed information on extra bus trips such as the type of trip, date, number of hours and reason for the trip. Extra time worked by teachers is recorded on various extra time pay sheets. The department supervisor or building principal signs the timesheet and forwards it to the Payroll Clerk.

Overtime: Overtime earned by classified employees is paid in the pay period following the pay period in which it was earned. Overtime is paid at a rate of one and a half times the employee's regular rate. Overtime is recorded on department overtime timesheets. All overtime has to be approved by the employee's supervisor each pay period. The Payroll Clerk verifies the mathematical accuracy of the timesheets and enters the overtime amount for each employee into the payroll system.

Extra time earned, such as when one teacher covers a class period for another, is entered into the payroll system based on the hours recorded on teacher extra pay sheets. The teacher extra pay sheets are approved by the building principal and Superintendent and submitted to the Payroll Clerk who enters them into the payroll system.

Board Members: The Treasurer takes a roll call at every Board meeting and marks down the board members in attendance on the agenda. The filled in agenda is given to the Superintendent's Secretary who prepares a Board Member Attendance spreadsheet for the first and last six months of the year. The Board Member Attendance spreadsheet is given to the Payroll Clerk who uses it to calculate and enter payroll for the board members. Board members are paid at a maximum rate of \$125 per meeting.

Supplemental: The General Data Clerk is responsible for preparing supplemental contracts. These contracts are issued as the Treasurer's office receives the assignments for each supplemental position. The Board of Education approves the supplemental contracts before they are mailed to employees. Supplemental contracts for regular employees of the School District are paid over 18 pays while the school year is in session. Supplemental contracts for individuals who are not regular employees are paid over three months starting from the beginning of the winter or spring season, in the second pay of each month.

Substitutes: The School District uses the Absence Management (Aesop) system for obtaining substitutes. Teachers are required to log onto the Aesop system to request a substitute. Substitutes take jobs from the Aesop system as the jobs are posted. The Aesop system and/or staff will also make automated phone calls as well as personal calls to fill substitute positions. The Payroll Clerk accesses the Aesop system and prints out a Substitute History Report for each two week pay period. The Substitute History Report includes the substitutes' names, dates, names of absent teachers or aides, types of leave (sick, personal or other) and whether each substitute was scheduled for a half or full day. The Payroll Clerk uses this report to calculate the pay amounts for substitutes. The substitute pay rate has been set by the Board and is used for all substitutes. Substitutes are paid on the pay date following the pay period in which they worked.

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

## Niles City School District – Trumbull County

### Financial Accounting Report

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

Leave: Vacation and personal leave is credited annually as indicated in the respective negotiated agreement or in each administrator's contract. All full-time employees accrue sick leave at a rate of one and one-fourth days per month to a maximum yearly accumulation of fifteen days. Vacation, personal, and sick leave usage is posted in the payroll system by the Payroll Clerk every pay according to the amount of time recorded on leave request forms for cafeteria workers and Aesop reports for all other employees. The system updates the balances automatically.

All employees except for cafeteria workers request leave through the Aesop system. The building principal and Superintendent approve all leave requested through Aesop. The Payroll Clerk prints out an Absentee Report from Aesop for each two week pay period that is used to enter leave usage into the payroll system. The report includes the employee names, dates, types of leave and total amount of leave requested.

Cafeteria workers do not request leave through Aesop but instead use a Leave Request form. The Aesop system is not used due to scheduling complexities related to cafeteria duties. Cafeteria workers can have varying work hours ranging from two to seven hours requiring rescheduling to be coordinated. The Leave Request form is filled out by the employee and approved by the building principal and Superintendent. A copy of the Leave Request form is given to the Food Service Director who handles the rescheduling. The Food Service Director also prepares a Cafeteria Attendance Sheet for each two week pay period which lists all cafeteria employees and any leave taken for each employee during the pay period. The Cafeteria Attendance Sheet along with the Leave Request forms are forwarded to the Payroll Clerk who uses them to enter the leave usage for cafeteria workers into the payroll system.

STRS/SERS: Payroll deductions for STRS and SERS are processed through the payroll system and filed timely. The Board share of retirement is deducted from the State Foundation. Therefore, the Treasurer's office records the Board share as a memo expenditure and remits the employee share to STRS and SERS.

Bi-weekly, the Payroll Clerk enters the STRS payment remittance information online and schedules the electronic payment for the employee share through the STRS website. SERS employee contributions are also paid bi-weekly. The Payroll Clerk completes the SERS payment remittance information online and schedules the electronic payment.

Other Employee Benefits: The School District's self-insured health care program provides medical, prescription, dental and vision insurance benefits to all full-time employees. Aetna serves as the third-party administrator for the health care program. The employee share of costs for single and family participation in the program is determined by the respective negotiated agreements. Part-time employees are eligible to receive medical, prescription, dental and vision coverage by contributing a greater amount toward the premium. The School District utilizes an internal service fund to account for self-insured health insurance claims.

Life insurance benefits are provided through American United Life. The Board provides all full-time employees with term life insurance of \$45,000. Part-time employees do not receive term life insurance benefits.

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

## Niles City School District – Trumbull County

### Financial Accounting Report

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Severance: The School District offers severance pay upon retirement to its certified and classified employees who have been employed by the School District for at least eight consecutive years. Payments for certified and classified employees are thirty-five percent of their unused sick leave days, up to a maximum of seventy days, times the employee's daily rate. All unused accumulated sick days, in excess of 200 days up to the maximum allowable, shall be paid at a rate of \$50 per day for certified and \$40 per day for classified. The Payroll Clerk calculates the amount of the severance payment which is then approved by the Treasurer. Upon approval, the Payroll Clerk processes the severance payment.

Payroll Preparation: Access to the payroll system is password protected. The Treasurer has given authority to Northeast Ohio Management Information Network (NEOMIN), the School District's A-site, to grant access and supply a password. The Treasurer and the Payroll Clerk have full access to the payroll system.

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

The Payroll Clerk has a checklist for running the payroll program. The checklist names the reports that need to be run and lists the steps to be taken to process payroll. The Payroll Clerk uses the e-Finance accounting system to process payroll.

The Payroll Clerk's first step in processing payroll is to load the regular pay for all employees into the system plus enter any overtime and extra time hours from the timesheets. After all the time has been entered, the Payroll Clerk runs various Payroll Edit Reports and balances these reports to the regular hours for each payroll group as well as to the hours entered from the timesheets.

Next the Payroll Clerk runs various Pre Calculation Reports, including a pre calculation journal, journal exceptions and deductions register. The Payroll Clerk reviews her Pre Calculation checklist which notes any new or different items including deductions for new hires and/or changes to deductions. The Payroll Clerk checks to see that all of these new items or changes are showing up on the Pre Calculation Reports. The Payroll Clerk will then run and print various reports including the Payroll Calculation Journal Report, Direct Deposit Report and the Payroll Check Register.

All the payroll reports are loaded onto a shared drive to be reviewed by the Treasurer prior to the submission of payroll to the bank. After approving the payroll reports, the Treasurer transfers money from the STAR Ohio account into the Cortland Bank general account to cover the amount of the payroll.

The Payroll Clerk sends a Direct Deposit (ACH) File Transmittal Form to Cortland Bank and uploads the Direct Deposit Report file. The Payroll Clerk will then run and print out the various Payroll Journal Reports that give detail on the amounts paid and all deductions as well as any payroll exceptions. The Payroll Clerk will also run various Payroll Deduction Reports including a deduction summary, deduction report by vendor and a deduction register.

The Payroll Clerk pulls up the Fund Accounting Interface screen and clicks on the "Interface button" to enable the payroll information to be transferred to the budgetary system. The Payroll Clerk then makes a batch journal entry that posts the payroll information to the accounts from which the employees are charged within the payroll system and the budgetary system. After posting payroll to the system, the Payroll Clerk runs and prints out the Organizational Charge and Benefit Summary Reports. These reports detail the fund and budget accounts where each employee's payroll and deductions were charged.

## Niles City School District – Trumbull County

### **Financial Accounting Report**

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Before cutting the payroll deduction checks, the Payroll Clerk prints out a Cash Requirements Report which lists all the deduction amounts to be paid to each vendor. The Payroll Clerk compares this report to the Deduction Summary and Deduction Register Reports to make sure that the amounts and vendors match. Upon verifying that the deductions are correct, the Payroll Clerk prints the actual deduction checks along with a Deduction Check Register.

Lastly, the Payroll Clerk prints out the STRS and SERS Contribution Reports and the Ohio New Hires Report for any new hires. The STRS and SERS Contribution Reports will get sent to the respective pension systems electronically along with the payment that is processed online by the Payroll Clerk. The Ohio New Hires Report is uploaded to the Ohio New Hire Reporting Center's website.

Internal Revenue Service W-2 forms are processed in late December after the last payroll of the calendar year. All W-2 information is submitted electronically to the IRS through the School District's A-site, NEOMIN. The W-2 forms are printed by NEOMIN and sent to the School District which then mails them out to all employees by the middle of January.

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

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

# Niles City School District – Trumbull County

## Financial Accounting Report

### Debt Administration

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

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

#### Statutory Requirements

General statutory guidelines regarding the issuance of debt are found in Chapters 133 and 5705 of the Revised Code. Specific statutes relating to school districts are found in Title 33 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 by resolution. The Board resolution identifies the statute which allows for the issuance of the debt, the purpose, the principal amount, the maturity date or dates, interest rate, and the source of revenue to be used for repayment.

The law firm of Squires, Patton and Boggs serves as the School District's bond counsel. The firm assists the School District with debt issuances, the preparing of the annual information filing and developing language for bond tax levies.

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

The amount of the School District's outstanding debt at June 30, 2020 consists of the following:

|   | <u>Interest<br/>Rate</u> | <u>Principal<br/>Outstanding<br/>6/30/2020</u> |
|---|--------------------------|--|
| <u>General Obligation Bonds:</u>                              |                          |  |
| School Facilities Improvement Bonds, Series 2009:             |                          |  |
| Capital Appreciation Bonds                                    | 23.22 - 23.63%           | \$30,000                                       |
| Accretion on Capital Appreciation Bonds                       |                          | <u>325,217</u>                                 |
| <i>Total School Facilities Improvement Bonds, Series 2009</i> |                          | <u>355,217</u>                                 |
| Refunding General Obligation Bonds, Series 2010:              |                          |  |
| Serial Bonds  | 2.00 - 4.00%             | <u>\$1,325,000</u>                             |

**Niles City School District – Trumbull County**

**Financial Accounting Report**

|  | Interest<br>Rate | Principal<br>Outstanding<br>6/30/2020 |
|--|------------------|---------------------------------------|
|  | <hr/>            | <hr/>                                 |
| <u>General Obligation Bonds: (continued)</u>                 |                  |                                       |
| Refunding School Improvement Bonds, Series 2017              |                  |                                       |
| Serial Bonds   | 2.00 - 5.00%     | \$9,830,000                           |
| Term Bonds   | 2.00 - 5.00%     | 4,770,000                             |
| Unamortized Premium  |                  | 1,090,109                             |
|  |                  | <hr/>                                 |
| <i>Total Refunding School Improvement Bonds, Series 2017</i> |                  | 15,690,109                            |
|  |                  | <hr/>                                 |
| <i>Total General Obligation Bonds</i>                        |                  | 17,370,326                            |
| <u>Capital Lease:</u>  |                  |                                       |
| Technology Equipment   | 5.77%            | 193,201                               |
|  |                  | <hr/>                                 |
| <i>Total Debt</i>  |                  | <u>\$17,563,527</u>                   |

On June 11, 2009, the School District issued \$18,244,893 in general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of \$9,904,893, \$8,220,000 and \$120,000, respectively. The general obligation bonds were issued for the purpose of providing funding for the construction of a new high school building and a new elementary school building. On June 20, 2017, the full amount of the term bonds and a portion of the serial bonds were retired by the School District through an advance refunding. The serial bonds were fully retired at June 30, 2019. The capital appreciation bonds mature December 1, 2019 and 2020. These bonds were purchased at a discount at the time of issuance and, at maturity, all compound interest (accretion) is paid and the bond holder collects the face value. The bonds will be retired from the debt service fund.

On July 13, 2010, the School District issued \$3,535,000 in general obligation bonds to advance refund the callable portion of the 2001 school improvement bonds. The issuance included a premium of \$221,518 which is being amortized over the life of the debt. The general obligation bonds included serial and capital appreciation (deep discount) bonds in the amounts of \$3,445,000 and \$90,000, respectively. The serial bonds mature at varying amounts annually on December 1, beginning in 2010 and ending in 2022. The capital appreciation bonds were fully matured at June 30, 2020. The capital appreciation bonds were purchased at a discount at the time of issuance and, at maturity, all compound interest (accretion) was paid and the bond holder collected the face value. The bonds will be retired from the debt service fund.

On June 20, 2017, the School District issued \$14,700,000 in general obligation bonds to advance refund the callable portion of the 2009 school facilities improvement bonds. The issuance included a premium of \$1,294,850 which is being amortized over the life of the debt. The general obligation bonds included serial and term bonds in the amounts of \$9,830,000 and \$4,870,000, respectively. The serial bonds mature at varying amounts annually on December 1, beginning in 2017 and ending in 2032. The term bonds mature on December 1, 2019, December 1, 2034 and December 1, 2036. The bonds will be retired from the debt service fund.

In fiscal year 2019, the School District entered into a capital lease obligation for the purchase of technology hardware and software. The lease includes interest at a rate of 5.77 percent and will mature on January 1, 2023.

**Auditor of State Comments**

None.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Capital Assets and Supplies Inventory

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

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

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

#### Statutory Requirements

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

# Niles City School District – Trumbull County

## Financial Accounting Report

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

The Board of Education has adopted formal policies regarding capital assets and inventory. The School District's capital asset policy states that the capitalization threshold is \$5,000. Board policy defines capital assets as those tangible assets of the School District with a useful life in excess of one year and an initial cost equal to or exceeding the capitalization threshold. Assets for which accountability is desired that have a value less than \$5,000 may, at the School District's discretion, be entered into the capital asset system for control purposes only but are not reported on the financial statements. The School District typically tracks all technology items even if they do not meet the capitalization threshold. The classification of capital assets includes land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. All assets are capitalized at actual cost, or if not determinable, estimated purchase price or fair market value at the time of acquisition. For all capital assets, the following information shall be maintained: description, asset classification, location, cost, date acquired, estimated useful life, estimated salvage value, replacement cost, accumulated depreciation, and manner of asset disposal. The policy addresses procedures for the disposal of property or assets no longer necessary to meet the educational or operational needs of the School District. Board policy also requires the School District to conduct a complete inventory by physical count of all Board-owned equipment once every two years. However, the School District has not performed a physical inventory in many years. Board policy does not address the valuation of donated assets, assigning salvage values, and private property that belongs to staff and students of the School District including how such property should be treated. Board policy also does not address the method to be used in tracking capital assets.

The policy further requires the School District to maintain a capital assets accounting system. The capital assets accounting system is to provide sufficient information to permit the preparation of year-end financial statements in accordance with generally accepted accounting principles, determine adequate insurance coverage and provide control and accountability. The Treasurer's office is responsible for the development and maintenance of the capital assets accounting system.

Valuation Engineers compiled capital assets for the School District as of June 30, 2014. The Valuation Engineers Appraisal database generates both summary and detail capital asset listings and depreciation reports. The information provided in the capital asset reports includes the asset tag number, asset class, useful life, description of asset, location of asset and the fund and function from which the asset was purchased. Most of the School District's technology assets, including laptops for students, are also physically tagged. The asset tag aids in identifying the existence of the asset.

The various school buildings and departments, such as special education and information technology, are responsible for turning in newly purchased asset information to the Athletic Director's Secretary in the administration office. The employee who ordered and received the assets fills out an Inventory Information form which is turned into the Athletic Director's Secretary. The form includes a description of the asset(s), quantity of items, cost and location of the asset. The Athletic Director's Secretary will assign tag numbers to assets and will send the physical tags to the employee. The Athletic Director's Secretary enters all the asset addition information into an Excel spreadsheet. This information is sent to Valuation Engineers to update the capital asset database. In the past, the Treasurer's office used to track all purchase orders that needed to be capitalized. The Treasurer's office would then give a copy of the purchase orders to the Athletic Director's Secretary to check against the Inventory Information forms she had received.



## Niles City School District – Trumbull County

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The Valuation Engineer's Appraisal database calculates annual depreciation on a straight line basis by dividing the original cost less salvage value by the estimated useful life. A half-year convention is used in the calculation of depreciation. Specifically, one-half year's depreciation is calculated in the first year the asset is acquired and in the last year of the asset's useful life. A full year's depreciation is calculated in all intervening years.

When employees wish to dispose of an asset, they are responsible for filling out an Inventory Request for Asset Disposal form. This form includes the asset description, tag number, location, reason and method for disposal, date of disposal and signature of the employee requesting disposal. If the employee simply wishes to transfer an asset to another building or department, an Inventory Request for Asset Transfer form is filled out. This form includes the asset description, tag number, the location the item was transferred from and the new location that it is being transferred to, date and reason for transfer and signature of the employee requesting transfer. Both of these forms are turned into the Athletic Director's Secretary. The sale of capital assets has been very rare and in almost all cases disposed assets are simply scrapped.

#### **School District's Methods for Assets for Supplies**

The School District's policies address supplies inventory stating that "property records of consumable supplies shall be maintained on a continuous inventory basis." However, the School District does not perform an annual physical inventory of supplies to verify existence or non-existence. For financial reporting purposes, the only inventory of supplies that is reported is food service.

The Food Service Director takes a monthly physical inventory by going to each school building and counting all food service inventory. The inventory items and quantities for all items, except for USDA inventory, are entered directly into the Reinhart Foodservice database system called TRACS by the Food Service Director. The USDA purchased/donated inventory is first recorded by the Food Service Director in a separate spreadsheet. The USDA information from this spreadsheet is later uploaded into the database system which generates the monthly inventory reports. The Food Service Director uses the monthly inventory reports to complete the State Child Nutrition reports online which are submitted to the State Department of Education.

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

1. The School District does not complete a physical inventory to verify the existence of capital assets. Per Board policy, the School District should complete a physical inventory every two years to verify the existence of capital assets.
2. The Treasurer's office does not verify the existence or non-existence of any significant consumable inventory other than food service supplies. The Treasurer should verify that there are no significant inventories other than food service to be reported. This should be done by physically checking the areas where consumable inventories would be stored.
3. The Board policy for capital assets does not address the transfer of assets from one building to another or one department to another, etc. The Board policy should be updated to address the transfer of assets.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Cash Management and Investing

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

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

#### Statutory Requirements

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

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

Section 135.14(O)(2), Revised Code, states, “If a written investment policy described in division (O)(1) of this section is not filed on behalf of the subdivision with the Auditor of State, the Treasurer or governing board of that subdivision shall invest the subdivision's interim monies only in interim deposits pursuant to division (B)(3) of this section, or in interim deposits pursuant to Section 135.145 of the Revised Code and approved by the Treasurer of State, no-load money market mutual funds pursuant to division (B)(5) of this section, or the Ohio 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 monies specified in the resolution to the fund from which the earnings arose or any other fund of the school district as the Board specifies in its resolution, except for earnings made on the investment of the bond retirement fund, the sinking fund, a bond fund or the school facilities project fund.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### **Federal Requirements**

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

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

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

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

The School District's treasury activities are the responsibility of the Treasurer and the Budgetary Clerk. The Budgetary Clerk reconciles the treasury with the accounting records and gives this reconciliation to the Treasurer to review. The Treasurer transfers cash among the various bank accounts as needed. The School District maintains a general checking account, a healthcare account, a flex spending account, a STAR Ohio account and a petty cash account.

The STAR Ohio account receives all state and federal monies for the School District. The general checking account receives property tax wire transfers from the County as well as transfers from the STAR Ohio account. The general checking account receives daily deposits from the School District. Checks are written against the general checking account for the daily operations of the School District. Payroll direct deposits and deduction checks also come out of the general checking account. Transfers are made when necessary from the STAR Ohio account into the general checking account.

The Budgetary Clerk reconciles the bank accounts each month. To identify outstanding checks, the Budgetary Clerk enters into the accounting system the check numbers that cleared the bank per the bank statement and then runs an outstanding check register report. Any discrepancies are noted on the monthly cash reconciliation.

Voided general operations and payroll checks have void written on them by the Budgetary Clerk or Payroll Clerk. The voided budgetary checks are filed in numerical order in the Budgetary Clerk's Office. The voided payroll checks are filed numerically in the Payroll Clerk's office.

A three hundred dollar petty cash fund is maintained by the Treasurer's office. The School District has a Board approved policy in place for the use and replenishment of the petty cash fund. Petty cash is kept in a locked vault room in the back of the Treasurer's office. The petty cash fund is maintained throughout the year and replenished when needed. To replenish petty cash, the Budgetary Clerk adds up the purchases made out of the petty cash fund and counts the remaining cash. The total of the purchases and the remaining cash should equal the full balance of the petty cash fund. Next, the Budgetary Clerk posts the purchase expenditures to the appropriate accounts and initiates a purchase order to produce a check to replace the funds. The Budgetary Clerk or Treasurer cashes the check at the bank and returns the cash to the petty cash fund.

## Niles City School District – Trumbull County

### **Financial Accounting Report**

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Per Board policy, the Board of Education shall adopt a resolution every five years designating those banks and other depositories of public funds in which the Treasurer may deposit interim funds and authorizing the Treasurer to enter agreements with designated banks and depositories on behalf of the Board.

Board policy also states that the Treasurer is authorized to make investments with available monies from the funds of the School District in securities authorized by State Law. Earnings on an investment may become a part of the fund from which the investment was made, unless otherwise specified by law. The only investment the School District holds is a STAR Ohio account. The Board has not adopted a resolution for the distribution of interest income but instead has chosen to follow State statute. In fiscal year 2020, the general fund and the internal service healthcare fund received interest. The State Treasurer's office offers an annual training on investing. Due to the fact that the School District's only investment is STAR Ohio, the Treasurer can request an annual waiver form for the training from the State Treasurer's office. However, this form has not been filed.

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

1. The Treasurer does not attend annual training provided by the State Treasurer's Office for investments. The Treasurer is exempt from this training if the School District has no investments and the Treasurer files an exemption form. The form has not been filed.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Financial Reporting

#### Description of Effective Method of Financial Reporting

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

#### Statutory Requirements

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

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

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

The School District uses e-Finance software provided by the Northeast Ohio Management Information Network (NEOMIN) 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 in a shared Google file.

During the monthly Board meetings, the Board members receive a copy of the following items:

- Monthly bank reconciliation
- OH Cash Position report (receipts, expenditures and current fund balance for each fund)
- Check Register – Disbursement Fund report (list of bills paid for the previous month)
- Purchase Order Status report (original purchase order amount and description, amount spent to date and remaining purchase order amount)
- OH Annual Spending Plan (Current Operation – General Fund Only) report

Other financial reports are given according to requests of the Board members.

## Niles City School District – Trumbull County

### **Financial Accounting Report**

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Currently, the Board members also receive a copy of the reports required to be presented to the Fiscal Commission. These reports include the Monthly Monitoring Report, FRP Monthly Status Report, Monthly Revenue Report by Receipt Code, Monthly Expenditure Report by Object, Budget vs. Actual by Fund and Object, Payroll by Employee Name and the Vendor Payment History Report. The Treasurer plans to continue providing the Board with these reports after the dissolution of the Commission's monitoring.

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited financial statements are filed with the Auditor of State within 150 days of the end of the fiscal year end or, if unable to meet the deadline, an extension is requested. The School District received a 60 day extension to file its fiscal year 2019 financial report. The School District filed a copy of its annual financial report to the office of the Auditor of State for the fiscal year ended June 30, 2019 on January 14, 2020. As soon as the financial audit is released by the Auditor of State, the audit is distributed to all Board members.

In prior fiscal years, the School District has not published a notice of the availability of the financial statements in the local newspaper or on its website. Copies of the financial statements are kept at the School District for the public and distributed when requested. All requests of financial information from the public are prepared and distributed by the Treasurer's office.

#### **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 or on its website 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 or on its website for the past several years.

# Niles City School District – Trumbull County

## Financial Accounting Report

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### Recording Official Proceedings

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

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

#### Statutory Requirements

Section 3313.26, Revised Code, requires the Treasurer to record the proceedings of each meeting in a book to be provided by the Board for that purpose, which shall be a public record. The record of proceedings for each meeting of the Board shall be read at its next succeeding meeting, corrected, and approved, which approval shall be noted in the proceedings. After such approval, the president shall sign the record and the Treasurer shall attest it. The Treasurer's attestation shall not be construed to serve as authorization or execution of any action taken or not taken during any meeting.

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 minutes need only reflect the general subject matter of discussions in executive sessions. . 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 School District's Method of Recording Official Proceedings

The Board usually holds their regular monthly meetings on the third Thursday of each month. The Superintendent's Secretary types up an agenda prior to the Board meeting. The Treasurer takes a copy of the agenda to the meeting and fills in the roll call and vote information as well as records any discussions that take place during the Board of Education meetings. The Treasurer's filled in agenda and notes are then given to the Superintendent's Secretary who prepares the minutes of the meeting. The minutes include who is in attendance, a summary of topics discussed, resolution numbers and a description of the resolution, 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. Typed minutes, resolutions and supporting exhibits are kept in binders in the Superintendent's office temporarily before being moved to the Treasurer's office.

#### Auditor of State Comments

None.

## Niles City School District – Trumbull County

### Financial Accounting Report

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#### Conclusion

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

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



# OHIO AUDITOR OF STATE KEITH FABER



**NILES CITY SCHOOL DISTRICT**

**TRUMBULL COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



**Certified for Release 12/22/2020**

88 East Broad Street, Columbus, Ohio 43215  
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)