



**Auditor of State
Betty Montgomery**

**Springfield City School District
Clark County, Ohio**

Financial Accounting Report

Local Government Services Section

Springfield City School District, Clark County

Financial Accounting Report

Table of Contents

Certification 2

Purpose..... 3

Governance Overview 4

Analysis of the School District Methods:

 Budgetary System 6

 Revenue Activity 11

 Purchasing Process..... 18

 Cash Disbursements..... 24

 Payroll Processing..... 27

 Debt Administration..... 34

 Capital Assets and Supplies Inventory 36

 Cash Management and Investing 39

 Financial Reporting..... 43

 Recording Official Proceedings 45

Conclusion 47



**Auditor of State
Betty Montgomery**

CERTIFICATION

On February 28, 2005, the Springfield City School District was declared to be in fiscal emergency. Section 3316.10(A), Revised Code, requires that after the declaration of a fiscal emergency, the Auditor of State issue a report assessing the methods, accuracy and legality of the accounts, records, files and reports of the School District. 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 3316A) 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 Springfield City School District.

Section 3316.10(A), Revised Code requires that the Board of Education of the Springfield 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 cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 20, 2006

Local Government Services Section
88 E. Broad St. / Sixth Floor / Columbus, OH 43215
Telephone: (614) 466-4717 (800) 345-2519 Fax: (614) 728-8027
www.auditor.state.oh.us

Springfield City School District – Clark County

Financial Accounting Report

Purpose

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

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

Springfield City School District – Clark County

Financial Accounting Report

Governance Overview

Springfield 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 28, 2005, 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 Springfield 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 shall enumerate respectively the powers and duties of the Commission and the duties of the School Board during that period.

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

1. 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.

Springfield City School District – Clark County

Financial Accounting Report

Governance Overview

(continued)

The Commission has defined the level of fiscal management and control that the Commission will exercise within the School District during the period of fiscal emergency as required under Section 3316.06 (A)(2) of the Ohio Revised Code. The complete role of the Commission and the School Board has been addressed in the financial recovery plan originally adopted on June 3, 2005 (revised on September 1, 2005), and includes the power to approve contracts entered into by the Springfield City School District for personal services and employment contracts for all positions other than temporary positions.

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 and approved a financial forecast for a five-year period and such forecast is, in the Auditor of State's opinion, "nonadverse".

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

Springfield City School District – Clark County

Financial Accounting Report

Budgetary Process

Description of an Effective Budgetary System

The legally adopted annual budget plays a unique and central role in determining the amount and the 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 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: Prior to April 1, the Board accepts, by formal resolution, the tax rates as determined by the county budget commission and receives the commission's official certificate of estimated resources which includes the estimated beginning 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 nonexpendable trust fund is to be excluded. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the 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.

Springfield City School District – Clark County

Financial Accounting Report

Budgetary Process

(continued)

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 of education pass appropriations at a more detailed level. The legal level of control is a discretionary decision to be made by the Board based on the degree of control the board wishes to maintain over the financial activity of the School District.

Certification of Adequate Revenue: Certification of adequate revenues involves two types of certifications. Certification of routine items under Section 5705.41, 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 per cent of the total revenue to be credited in the current fiscal year to the School District's General Fund, as specified in the School District's most recent certificate of estimated resources.

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

Five-year Financial Forecast: Section 5705.391, Revised Code, requires school districts to prepare five-year projections of revenues and expenditures in a spending plan. Under Section 3301-92-04 of the Ohio Administrative Code, school districts are to submit the projections to the Department of Education. The projection must contain the information and be in the format prescribed by the Department of Education and Auditor of State. The projection includes three years of historical revenues and expenditures and a projection of revenues and expenditures for the current fiscal year and the ensuing four fiscal years. The projection is filed upon the adoption of an annual appropriation measure, but no later than October 31. A school district is required to update its five-year projection between April 1 and May 31 and submit it to the 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.

Springfield City School District – Clark County

Financial Accounting Report

Budgetary Process

(continued)

The Ohio Administrative Code links the ability to certify under section 5705.412 of the Revised Code to the five-year 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 which have been certified. The 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 expenditure 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 does not relieve the School District of the responsibility for insuring that those numbers are reasonable and accurate.

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

School District's Budgetary Process

Section 5705.281, Revised Code, permits a county budget commission to waive the tax budget requirement for any taxing authority. However, the commission may require the taxing authority to provide information needed by the commission to perform its duties. The Clark County Budget Commission has adopted an alternative tax budget. The alternative tax budget includes five schedules to be completed by the School District and returned to the County Auditor. They include a schedule of all levies of the School District, a statement of fund activity for the general fund, bond retirement fund, and any other funds requesting general property tax revenue, a statement of fund activity for all funds with revenue other than local taxes, a schedule of voted and unvoted debt and a schedule to identify tax anticipation notes and the principal and interest payments due within the budgeted year.

Springfield City School District – Clark County

Financial Accounting Report

Budgetary Process

(continued)

Although the formal requirements have been waived, the Board adopts by January 15 a tax budget for the fiscal year commencing the following July 1. This budget includes proposed expenditures and the means of financing the expenditures for all funds other than agency funds. A public hearing is held in December to obtain taxpayer comments. A notice of the public hearing is published in the local newspaper. The Treasurer prepares the tax budget and presents it to the Board for adoption. The Board-adopted budget is filed with the Clark County Budget Commission no later than January 20.

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

After the close of the fiscal year, the Treasurer submits the fiscal year-end balances to the County Auditor. The County Auditor issues an amended official certificate of estimated resources that includes the actual unencumbered cash balances from the preceding year.

The Board adopts a temporary appropriation measure prior to the start of the new fiscal year. The temporary appropriations measure is limited to 25 percent of the total amount from sources available for expenditure from any fund during the preceding fiscal year. The School District operates under the temporary appropriation measure until a permanent appropriation measure is adopted prior to October 1 of the fiscal year. For fiscal year 2005, appropriations were approved at the fund level. Fiscal year 2006 temporary and permanent appropriations were approved at the fund level for all funds except the General Fund which was approved at the object level. The Treasurer files the adopted appropriation resolution with the County Auditor. The Treasurer reviews estimated revenues and appropriations monthly.

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

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 October 31. The forecast is updated and filed again by May 31. The Treasurer keeps the five-year forecast on file in the office with the documentation that was used to prepare the forecast. The School District maintains all contracts that have been certified as required by Section 5705.412, Revised Code, in the Treasurer's office.

Auditor of State Comments

1. The School District should update its policy manual regarding its budgetary process. The manual should include policies that are designed to comply with Ohio Budgetary Law including the level at which the Board adopts appropriations and the nature of the control, approval and documentation for the initial allocation and subsequent re-allocations of appropriations of the Board. In addition, the policies should address the five-year forecast and the circumstances under which the Board wants the forecast updated in addition to the dates it is to be filed with Department of Education. The policies need not restate the statutory requirements. The policies should also require the Treasurer 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.

Springfield City School District – Clark County

Financial Accounting Report

Budgetary Process

(continued)

2. The Treasurer reconciles appropriations as passed by the Board to the accounting system, however, amendments to appropriations should be posted to the accounting system when they become effective, which is upon receipt of a certificate from the County Budget Commission indicating appropriations are within estimated resources.
3. The Treasurer should enter the estimated revenue in the accounting system. If the estimated revenue is revised, it should be entered upon receipt of an amended certificate of estimated resources from the County Budget Commission.
4. In fiscal years 2005 and 2006, the School District had deficit fund cash balances contrary to Section 5705.10, Revised Code.
5. Permanent appropriations for fiscal year 2005 exceeded estimated resources contrary to Section 5705.39, Revised Code. The Treasurer compares appropriations to estimated resources; however, this comparison should be presented to the Board when a request for appropriations or supplemental appropriations is requested which demonstrates the effect of the supplemental appropriations and compliance with budgetary requirements, if adopted.
6. The Board adopts permanent appropriations prior to meeting the statutory criteria for the adoption of permanent appropriations. Section 5705.38, Revised Code, indicates that annual appropriations should be adopted by October 1 provided an amended certificate of estimated resources or a certification that no amended certificate need be issued has been received from the County Budget Commission (Refer to Auditor of State bulletin 98-012). Although the School District is requesting an amended certificate of estimated resources timely, the County Budget Commission is not responding to the request in a timely manner. The School District has been approving appropriations prior to receiving an amended certificate from the County Budget Commission therefore causing the School District to be in violation of Ohio budgetary law.
7. In the past, the County Budget Commission has taken two to three months to issue amended certificates of estimated resources. The Treasurer should continue to contact the County Budget Commission when a response to a request for an amended certificate is not received in a reasonable period of time. A delay in receiving an amended certificate may prevent the passage of appropriations or cause other unnecessary budgetary violations.
8. Under Section 5705.39, Revised Code, no appropriation measure is effective until the County Budget Commission files with the Board a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed the official certificate or amended official certificate of estimate resources. Legally, the Treasurer cannot certify availability of appropriations for expenditures until the certificate is received from the County Budget Commission. The Treasurer should continue to contact the County Budget Commission when a certificate is not provided in a reasonable period of time.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

Description of an Effective Method for Recording Receipts

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

Statutory Requirements

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

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

School District's Receipt Process

The School District receives revenue from both internal and external sources in the form of wire transfers, cash, money orders and checks. External sources of revenue include amounts received from the State Department of Education, Clark County and various other State and Federal agencies. Internal sources of revenue include money collected for lunches served in the cafeteria, student activities, athletic events, and miscellaneous receipts collected at the various School District buildings. All employees who handle money are bonded by a blanket policy with the School District paying the cost of the coverage.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

(Continued)

Building Receipts: Monies are receipted in the various School District buildings from various sources for which a manual pay-in (a three part form) is prepared by the district employee who receives the money. Each day, the district employee turns over the pay-in and money collected to the building Secretary. The Secretary counts the money, prepares the deposit slip, places the deposit slip and money into a pre-numbered deposit bag, writes the bank bag number and deposit slip number on the pay-in, and returns the original copy (white page) of the pay-in back to the district employee. Student Activity Advisors, on the other hand, fill out the pay-in form and deposit slip, place the collected money and deposit slip into a pre-numbered bank bag, and turn the bag and pay-in form into the building Secretary. The Secretary then writes the sealed bank bag number on the pay-in form in the appropriate spot, if not already filled in by the Student Activity Advisor, and then signs and returns the original copy (white page) of the pay-in form to the Student Activity Advisor, which allows the Secretary to take possession of the bank bag. The building Secretary then places all bank bags into a locked bank bag that is picked up by a “runner” who takes the locked bag to the bank. Before the “runner” takes the locked bank bags, the Secretary fills out a two page Bank Bag Receipt form that lists the bank bag numbers. The building Secretary and the “runner” sign the Bank Bag Receipt form in order to transfer possession of the locked bank bags. Upon taking the bank bags to the bank, the “runner” will return any deposit slips that were picked up from the previous day’s deposits, along with returning the now unlocked bank bags. The building Secretary will then match the deposit slips and bank receipts to the yellow copy of the manual pay-ins. The yellow copy of the manual pay-in, the pink copy of the deposit slip and the white copy bank receipt are then sent to the Treasurer’s office through interoffice mail. The Treasurer’s office uses the yellow copy of the manual pay-in with attachments to enter the receipt information into the computer system. Once the information is inputted, a system receipt is generated. The third copy of the manual pay-in is kept by the building Secretary and filed in the office.

When monies are received directly by the Treasurer’s office, a handwritten receipt is issued to the person making the payment. A deposit slip is prepared and the deposit is taken to the bank by a Treasurer’s Office staff member for deposit. Upon returning to the office, the deposit information is entered into the computer system by the Data Processing Specialist or the Accounts Receivable Clerk and a system receipt is generated.

Wire Transfers: Revenues received by wire transfers include State foundation, State and local grants, property taxes from Clark County, and Community Alternative Funding System reimbursements from the State. The remittance forms for electronic fund transfers are received either by e-mail or in the mail from the payer to the Treasurer or Assistant Treasurer.

Receipt of State Foundation: State foundation monies are received by wire transfer bi-monthly into the School District’s STAROhio account from the Ohio Department of Education. Foundation settlements include restricted and unrestricted receipts, tuition payments from other districts, and various other State payments to the School District. The foundation settlement sheets which show the various sources of State aid are printed from the Ohio Department of Education’s web page by the Assistant Treasurer. The Assistant Treasurer verifies that the net amount shown on the bank website corresponds to the net amount on the settlement sheet. Once the amount is verified, the Assistant Treasurer posts the revenue to the accounting system at gross. State foundation revenues are posted using the USAS codes provided on the settlement sheets. Memo expenditures are also posted for the State pension payments, tuition, and other items deducted from the foundation settlement sheet. Once the Assistant Treasurer has completed posting the transactions, the Treasurer then compares the settlement sheets and receipts posted to the system to ensure the dollar amounts and account codes have been properly recorded.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

(continued)

Receipt of Property Taxes: Upon receipt of the electronic funds transfer advice or check and tax settlement sheet from the Clark County Auditor, the Assistant Treasurer prepares a spreadsheet outlining the amounts and account codes for the gross amount of the settlement and the deductions. The Assistant Treasurer then prepares a receipt and records memo expenditures for all of the applicable deductions, and posts the transactions to the accounting system. Advances on property taxes are handled in the same manner.

Receipt of Grant Monies: The School District receives Federal, State, and local revenue in the form of restricted and unrestricted grants. All grant applications are authorized by the Board. The School District receives Federal and State grant monies by wire transfer from the Ohio Department of Education. For most other grants, the Assistant Treasurer completes an electronic cash request monthly until the yearly allotment of money is received. The requests that are filed electronically also include the awarded amount and the amount that has been requested to date. For the lunch/breakfast program, the Food Service Supervisor files a Site Claim Form (CN-7 report) which identifies reimbursable amounts due to the School District. Upon receipt of the wire transfer through notification received from the Auditor of State remittances and bank activity, the Assistant Treasurer codes the revenue and gives it to the Data Processing Specialist, who posts the transaction to the system and generates a system receipt. When monies are received by check, the Assistant Treasurer prepares a deposit slip and codes the receipt. The Data Processing Specialist posts the transaction to the system and generates a receipt. At the end of each month, after the back reconciliations are completed, the Treasurer compares the monthly receipts report to the email notices from the Ohio Department of Education and to the STAROhio account to verify postings. The Treasurer also does a cursory review of the other receipts at the same time the month-end bank reconciliations are reviewed to verify postings.

Athletic Event Receipts: In August, each Athletic Director is given a check for up to \$1,500 to be used as a change fund. In June, the change fund money is returned to the Treasurer's office by each Athletic Director. The School District requires payment for attendance at several athletic events. All tickets sellers are adults who are paid for their time of service at the event. The Ticket Manager prepares a Ticket Report form for use with each game that includes the event, date, and beginning ticket number of each ticket roll being used. Individuals buying tickets pay the ticket seller and receive their ticket. The ticket is then given to a ticket taker at the entrance to the game, who tears the ticket in two. At the end of the event, the ticket manager is escorted by police security to each ticket seller to collect the cash drawers. The Ticket Manager and the ticket sellers are then escorted to either a secured office in the school building or to their personal vehicles and then to another location. The Ticket Manager enters the last ticket number sold on a Ticket Summary form and the ticket seller signs the form. The beginning and ending ticket numbers are written on the Ticket Report form. The Ticket Manager then computes the total sales by multiplying the number of tickets sold times the ticket price for students and adults. The Ticket Manager then counts the money received by the ticket sellers and compares the cash received to the total ticket sales. If there are discrepancies in the amount received and the calculated ticket sales, the Ticket Manager converses with the ticket seller the following day. If the discrepancy is of a small amount and there is a reasonable excuse, there is no further investigation. If a large discrepancy exists between the amount that should have been collected based on the number of tickets sold and the amount turned in, the ticket seller's pay may be docked.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

(continued)

Upon verifying the ticket sales at an event, the Ticket Manager prepares a deposit slip and places the money in a locked deposit bag. The deposit bag is then taken to the bank. On the next day of school, the Ticket Manager gives the appropriate Athletic Director the Ticket Report form and the blue duplicate of the deposit slip. When the Athletic Director receives the deposit slip from the bank, a comparison between the Ticket Report form and blue deposit slip to the bank deposit slip is performed. The Athletic Director prepares a pay-in and then gives a copy of the pay-in, the Ticket Report form and deposit slip to the Receivable Clerk who posts the transaction to the system. The Receivable Clerk will then generate a system receipt.

Student Activity Receipts: Purpose statements and budget forms are prepared throughout the school year as needed by the Student Activity Advisors. The Purpose Statement includes the anticipated receipts and expenditures of the student activity for the school year. The Purpose Statement and budget forms are approved by the building Principal and then the Superintendent. The Board then gives the final approval of the Purpose Statement and Budget Form if the purpose of the fund raiser changes from the prior year or a new special cost center needs to be created. The approved Purpose Statements and Budget forms are kept on file in the Treasurer's office.

Prior to the commencement of a fundraiser, the Student Activity Advisor prepares an additional form titled "Sales Project Potential Form" which is used to estimate the fundraiser's revenues and expenditures. The completed form provides detailed information about fundraiser dates, project, and vendor. This form is given to the appropriate building principal for approval. The principal forwards the approved statement to the Treasurer's Office who forwards this to the Superintendent for approval. After the Superintendent's approval, it is sent back to the building of origination until the completion of the fund raiser.

Upon completion of the fundraiser, the remaining section of the Sales Project Potential form must be completed to show the actual amount of money received and product sold and any related expenses. The summary of the Sales Project Potential report form is reviewed for completeness and signed by the building Principal and then forwarded to the Treasurer's office, who will obtain the Superintendent's signature. A copy of the Sales Project Potential form is then returned to the originator for retention with all other paperwork associated with the fundraiser. The original form is kept in the Treasurer's office. A manual pay-in is completed by the Student Activity Advisor. The Advisor is responsible for keeping track of the amounts turned in by each student. All advisors remit monies and manual pay-ins to the appropriate building Secretary. Student Activity Advisors, fill out the pay-in form and deposit slip, place the collected money and deposit slip into a pre-numbered bank bag, and turn the bag and pay-in form into the building Secretary. The Secretary then writes the sealed bank bag number on the pay-in form in the appropriate spot, if not already filled in by the Student Activity Advisor, and then signs and returns the original copy (white page) of the pay-in form to the Student Activity Advisor, which allows the Secretary to take possession of the bank bag. The building Secretary then places all bank bags into a locked bank bag that is picked up by a "runner" who takes the locked bag to the bank. Before the "runner" takes the locked bank bags, the Secretary fills out a two page Bank Bag Receipt form that lists the bank bag numbers. The building Secretary and the "runner" sign the Bank Bag Receipt form in order to transfer possession of the locked bank bags. Upon taking the bank bags to the bank, the "runner" will return any deposit slips that were picked up from the previous day's deposits, along with returning the now unlocked bank bags. The building Secretary will then match the deposit slips and bank receipts to the yellow copy of the manual pay-ins. The yellow copy of the manual pay-in, the pink copy of the deposit slip and the white copy bank receipt are then sent to the Treasurer's office through interoffice mail. The Treasurer's office uses the yellow copy of the manual pay-in with attachments to enter the receipt information into the computer system. Once the information is inputted, a system receipt is generated. The third copy of the manual pay-in is kept by the building Secretary and filed in the office.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

(continued)

Receipt of Cafeteria Monies: A food service computer program is used to account for the sale of lunches at the elementary, middle and high schools. In all of the buildings, the food service cashier is the only individual who collects money directly from the students.

At each building, personal identification numbers (PINS) are set up for each student upon enrolling at the School District. Each student enters a PIN when purchasing breakfast, lunch, or ala carte items. The PIN identifies whether or not the student is to receive a free or reduced priced lunch. If a student would like to prepay an amount, the cashier will enter the amount of the advance payment into the register. The system will automatically increase the student's account by the amount. As each student reaches the end of the food line, they enter their PIN into a keypad at the register. The cashier will compare the student's information and enter what the student has purchased. The total is deducted from the student's amount available according to the system.

Elementary students are allowed to charge up to three lunches at any given time. On Friday of each week, the system prints a letter for the student to take home requesting payment.

At the elementary school buildings, there is only one food service cashier. At the middle school buildings and high school buildings, there are two to three food service cashiers. The process for closing out the cash register at the end of the day varies between the buildings depending on the number of cashiers.

The elementary buildings have a slightly different closing process. At the end of the day, the cashier pushes a button on the computer to begin the closing process. The cashier must then count the cash collected for the day and enter the amount into the register. By doing this, the cashier has made what is called a "declaration" at which time the system sends a file to the Food Service Secretary. The cashier then fills out the deposit slip and places the cash and the white and pink copies of the deposit slip into a pre-numbered deposit bag and seals it. The deposit bag and yellow copy of the deposit slip is given to the building Secretary. The Secretary fills out a receipt that allows the Secretary to take possession of the sealed deposit bag and place it into a locked deposit bag. The blue copy of the deposit slip is then sent to the Food Service Secretary. On the following day, the Food Service Secretary prepares a reconciliation between the file generated by the system after the declaration and the blue deposit slip. When the pink deposit slip is returned from the bank, the Food Service Secretary then matches the pink deposit slip to the blue deposit slip and files it by school building and date. At the middle and high schools, the cashier starts the closing process and makes the declaration at which time the system sends a file to the Food Service Secretary. The head cashier then collects the cash drawers, counts the cash and fills out the deposit slips. The cash, along with the white and pink copies of the deposit slips, are placed into a pre-numbered deposit bag which is sealed. This is given to the building Secretary who fills out a receipt that allows the Secretary to take possession of the sealed deposit bag. The Secretary then places the sealed deposit bag into a locked deposit bag. The blue copy of the deposit slip is sent to the Food Service Secretary. On the following day, the Food Service Secretary prepares a reconciliation between the file generated by the system after the declaration and the blue deposit slip. When the pink deposit slip is returned from the bank, the Food Service Secretary matches the pink deposit slip to the blue deposit slip and files it by school building and date. Yellow deposit slips are kept and filed by the building Secretary.

After the entire month of deposit slips are collected, the Food Service Secretary compares the deposit slips to the monthly bank statement. A report is then generated and sent back to the Receivable Clerk who, upon receipt of this report, posts the transaction and generates a system receipt.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

(continued)

Once the food service computer program is reconciled, the Food Service Data Processing Specialist, prints the breakfast CN-6 and lunch CN-7 monthly reports from the food service computer program and submits them to the Ohio Department of Education for reimbursement.

School Age Child Care: The School Age Child Care (SACC) program is located in eight of the ten elementary

buildings. The Team Leader is responsible for recording attendance, time in/out, calculation of fees and collection of fees on the attendance sheet. The SACC program has a list of procedures that are to be followed when filling out the attendance sheet, writing receipts and preparing the payment sheet, which is a form prepared at the end of each week by the Team Leader to assist in reconciling fees to collections. Fees are based on the amount of time that the child spent in the program each day. When an individual pays his/her fees, they are given a receipt by the Team Leader. The Team Leader then records the amount collected on the attendance sheet next to the child's name. The money is placed in a lock box that is stored in a locked cabinet. At the end of the week the Team Leader calculates the total amount due for each child, the amount collected for each child, and appropriate receipt numbers. Any balance due for a child is carried over to the following week's attendance sheet. After the attendance sheet is complete, the Team Leader must fill out the payment sheet. This sheet lists each child, the amount received, and method of payment. The total collected on this sheet should tie to the amount collected on the attendance sheet. The amount of fees collected, the attendance sheet, and payment sheet are then taken to the SACC office no later than 12:00 pm on Tuesday of the following week. The SACC Specialist or Program Technician then counts the total fees collected in the presence of the Team Leader and verifies the total to the written receipts. Then the SACC Specialist or Program Technician reconciles the fees collected to the payment sheet and attendance sheet. Once this is completed, the pay-in is prepared and both the Team Leader and Program Technician or Specialist sign the pay-in. The Program Technician or Specialist then prepares one deposit slip of all for all Team Leaders and takes the deposit to the bank. A copy of the deposit slip, each pay-in, calculator tape and the receipt from the bank are sent by interoffice mail to the Treasurer's office. The accounts Receivable Clerk posts the transaction and generates a system receipt.

Miscellaneous Receipts: As necessary, teachers remit a list of names, amounts owed, and description of activity (monies owed for fees, overdue book fines, or damaged equipment) to the appropriate building Secretary if miscellaneous monies are owed from students. The building Secretaries have created a spreadsheet which details the information provided by the teachers. The spreadsheet is used by the building Secretaries to send invoices for outstanding student fees and other items. Whenever money is remitted to the teachers, the teachers take the money to the building Secretary. The building Secretary counts the money, prepares the deposit slip and the pay-in and updates the spreadsheet to accurately reflect the payment. The money and deposit slip are placed into a pre-numbered deposit bag and sealed, which in turn is placed into a locked deposit bag. The building Secretary then fills out a receipt that the runner signs to take possession of the deposit bag, and the runner takes the deposit to the bank.

Throughout the fiscal year, the school facilities are rented out by various individuals. The Treasurer's office prepares and mails invoices for use of the school facilities. The Treasurer's office reviews the outstanding invoices on a monthly basis. When payments are received, they follow the aforementioned processes.

Auditor of State Comments

1. The School Age Child Care program deposits its collection once a week. The School Age Child Care program should deposit funds within twenty-four hours of receipt. This can be completed at each individual building, since the District has a runner that takes the daily deposits to the bank.

Springfield City School District – Clark County

Financial Accounting Report

Revenue Activity

(continued)

2. The building Principal and Superintendent should ensure that all the Sales Potential forms are prepared and authorized.

Springfield City School District – Clark County

Financial Accounting Report

Purchasing Process

Description of an Effective Method for Purchasing

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

Statutory Requirements

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

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

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

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

Springfield City School District – Clark County

Financial Accounting Report

Purchasing Process

(continued)

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

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, president of the Board, and the superintendent of the school district, unless the school district is in a state of fiscal emergency, in which case the certificate shall be signed by a member of the district's financial planning and supervision commission.

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

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

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

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

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

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

Springfield City School District – Clark County

Financial Accounting Report

Purchasing Process

(continued)

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

Section 9.231(A)(1), Revised Code, provides that a governmental entity shall not disburse money totaling twenty-five thousand dollars 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 seventy-five thousand dollars 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 seventy-five thousand dollars.

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

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

Delinquent Personal Property Taxes - Section 5719.042, Revised Code, provides that after the award by a taxing district of any contract let by competitive bid and prior to the time the contract is entered into, the person making a bid shall submit to the school district's fiscal officer a statement affirmed under oath that the person with whom the contract is to be made was not charged at the time the bid was submitted with any delinquent personal property taxes on the general tax list of personal property of any county in which the taxing district has territory or that such person was charged with delinquent personal property taxes on any such tax list, in which case the statement shall also set forth the amount of such due and unpaid delinquent taxes and any due and unpaid penalties and interest thereon. If the statement indicates that the taxpayer was charged with any such taxes, a copy of the statement shall be transmitted by the fiscal officer to the county treasurer within thirty days of the date it is submitted.

Springfield City School District – Clark County

Financial Accounting Report

Purchasing Process

(continued)

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.”

Section 3301-92-05(A) of the Ohio Administrative Code States that the events for which each school district shall certify the availability of revenue pursuant to section 5705.412 of the Revised Code include, but are not limited to: (1) Negotiated agreements; (2) Appropriation measures; (3) Contracts for benefits; (4) Increased salary or wage schedules; and, (5) Construction contracts.

School District’s Purchasing Process

Purchases less than \$25,000 are designated to be approved by the Superintendent and Treasurer and do not require Board approval. All contracts or purchases which exceed \$25,000 are given to the Executive Director of Business Services to make the necessary arrangements for public bidding. At the bid opening, the Treasurer receives and records the bids. The Treasurer forwards the bids to the Executive Director of Business Services. The Executive Director of Business Services, upon review of the bids, makes a recommendation to the Assistant Superintendent for presentation to the Superintendent and the Board of Education. Upon approval by the Board, the Treasurer prepares and signs a 412 Certificate, which certifies that the School District has sufficient revenue to support the contract. The 412 Certificate is also signed by the Superintendent and President of the Board. However, with the School District being in fiscal emergency, the Financial Planning and Supervision Commission of the Springfield City School District also signs the 412 Certificate. After all parties have signed the certificate, it is filed with the appropriate contract.

When goods or services are required, an employee completes a manual purchase requisition form. The manual purchase requisition form details the vendor name, address, items to be ordered, quantity, description, unit price, and total cost, as well as any required shipping information necessary for the goods or services. The completed manual purchase requisition form is then given to the employee’s immediate supervisor or Principal for approval and assignment of account codes. Once the supervisor or Principal approves the manual purchase requisition form, it is remitted to the building Secretary to be entered into the accounting system. New vendors will only be added if the purchase cannot be made from a current vendor. If a new vendor will be used, the vendor must call the Treasurer’s office and report all necessary information. The Treasurer’s office records the information into the accounting system and adds the new vendor to the existing vendor list. Once this process is complete, an e-mail is sent to the appropriate building Secretary letting them know that the new vendor is in the system for them to use. Requisitions are reviewed and approved by the Assistant Treasurer and printed by the Data Center Specialist. The Technology Director also reviews such requisitions for any technology purchases to determine if the equipment complies with Board policy.

Upon approval of the supervisor or Principal of a contract for goods, services or construction, paid for in whole or in part with State funds, the Assistant Treasurer verifies that any vendor have no unresolved findings for recovery issued by the Auditor of State. The verification is completed by performing a search on the Auditor of State’s web site. The search results are printed, reviewed and signed by the Treasurer and attached to the requisition which is kept on file with the Assistant Treasurer. If the vendor appears in the unresolved findings for recovery database, the requisition is returned to the employee.

Springfield City School District – Clark County

Financial Accounting Report

Purchasing Process

(continued)

Upon the verification of unresolved findings, the Treasurer of the School District reviews the requisitions on the accounting system for either large dollar amounts which will require Board approval or for two or more smaller requisitions to the same vendor that can be combined into one requisition. After the Treasurer gives approval for the purchase requisitions, the Data Center Specialist will create and print off a purchase order with the electronic signature of the Treasurer, as long as unencumbered appropriations exist within the applicable account codes. The purchase order is then sent to the Superintendent who reviews, signs and returns it to the Treasurer's office. Upon receipt of this signed purchase order, the Data Center Specialist makes a copy of the purchase order and files the copy in the Treasurer's office. The original purchase order is sent to the building Secretary from which the requisition originated. From this point, the distribution varies within each building. Normally, the building Secretary makes a copy of the original purchase order and attaches the copy to the written requisition for filing. The original purchase order is then sent to the vendor. Some building Secretaries, however, will fax the vendor a copy of the purchase order and file the original purchase order with the written requisition. To maintain control over the approval of purchases, the Accounts Payable Clerk, Data Center Specialist and Assistant Treasurer are the only individuals with a password to print requisitions, purchase orders and budgetary checks with the electronic signature.

Blanket purchase orders are prepared from an approved requisition based upon approved appropriations for the fiscal year and are usually initiated by a supervisor. However, not all departments of the School District follow the same process regarding blanket purchase orders. Some departments will request a blanket purchase order for the entire amount of the appropriation and the department heads will track the remaining balance of the blanket purchase order as each employee turns in a receipt for any purchase. Other departments, on the other hand, will request blanket purchase orders throughout the fiscal year as needed rather than requesting a blanket purchase order for the entire appropriation available. For the School District, blanket purchase orders are used in areas such as food service, transportation, and building maintenance.

“Then and Now” purchase orders are prepared for purchases made without prior approval. “Then and Now” purchase orders must be approved by the Board if greater than \$1,000. If they are less than \$1,000, the Treasurer has the authority to approve such purchase orders. However, the Treasurer only approves the use of “Then and Now” purchase orders if the purchase is in the normal course of business and appropriations are available. If not, the employee who initiated the purchase is responsible for the expense.

Outstanding purchase orders are reviewed by the Assistant Treasurer and/or the Data Center Specialist beginning in March and April. The reviewer will talk to the individual employees who initiated each purchase order that is currently outstanding and determine if there are any outstanding invoices. If no outstanding invoices exist relating to a purchase order, then the purchase order is closed along with the corresponding encumbrance.

Auditor of State Comments

1. The School District should update the Board Policies for purchasing to address the role of the Treasurer and Superintendent, the use of purchase orders, the statutory certifications by the Treasurer, the use of quotes from vendors, and the consequences for failure to obtain the Treasurer's certification. The policies should also address regular, blanket, and super blanket purchase orders/certifications and then and now certifications.

Springfield City School District – Clark County

Financial Accounting Report

Purchasing Process

(continued)

2. The process of public notification of accepting bids and making the recommendation to the Assistant Superintendent was the job of the Executive Director of Business Services. The Board should update their policies covering bidding requirements to someone else since the Executive Director of Business Services position is vacant.
3. The School District should send an IRS form W-9 to all new vendors to complete and return.

Springfield City School District – Clark County

Financial Accounting Report

Cash Disbursements

Description of an Effective Method for Accounts Payable and Cash Disbursements

The processing of invoices should ensure that each payment represents goods or services that were properly authorized and received by the School District. The processing should include a comparison of the invoiced items and quantities to the purchase order and billing slips, a comparison of the prices on the invoice to the purchase order, and a 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 accounts codes, and should include a copy of the purchase order, invoice, and receiving report or a signed billing slip. A check should be prepared based on the completed voucher, the existence of appropriate vendor information (I.R.S. Form 1099 data) and a properly executed certification by the Treasurer. All checks should be promptly signed by the Treasurer, posted in the appropriate accounting records, and mailed to the vendor 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 moneys of a school district shall be paid out except on a check signed by the Treasurer. The Treasurer shall preserve all vouchers for payment for a period of ten years (Section 3313.29, Revised Code) unless copied or reproduced according to the procedure prescribed in Section 9.01 of the Ohio Revised Code.

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

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

Springfield City School District – Clark County

Financial Accounting Report

Cash Disbursements

(continued)

Administrative Code Requirements

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

School District’s Cash Disbursement Process

The employee who initiated the purchase requisition form and the Accounts Payable Clerk have the responsibility 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, if available, attaches the packing slip to the purchase order, dates, initials, and indicates whether the order is complete. If a packing slip is not available, the goods are verified against the purchase order.

All invoices are mailed to the Treasurer’s office or the building from where the order was placed. The invoices that are received by the Treasurer’s office are forwarded to the employee or building from where the order was placed. The employee then verifies that the items, quantities, and unit price on the purchase order and packing slip equal the amount that appears on the invoice. If an invoice is incorrect, the employee who placed the order will investigate why there is a difference and resolve any discrepancies. If the order is not complete, then one of two things could happen. Either the invoice and purchase order are held until the order is completed to the School District’s satisfaction or a partial payment may be made. If the purchase order is partially complete and an invoice is received for the partial shipment, the employee will compare the invoice to the packaging slip, if available, or to the purchase order. The employee then dates, initials and indicates that the invoice is for partial payment. Upon completion of the verification process, the invoice is sent to the Treasurer’s office for payment. If a partial payment is to be made, the Accounts Payable Clerk will attach the invoice to the Treasurer’s copy of the purchase order and hold the purchase order until it is completed.

Bills are paid once a week by the School District. Therefore, during the week, any invoices and purchase orders needing to be settled are placed in a drawer in the Treasurer’s office until Friday, the designated date of payment for bills. If no purchase order exists for an invoice, the employee responsible for the order is notified and requested to process a requisition. If the amount of the requisition is over \$1,000, Board approval is obtained. After the requisition is approved, a “Then and Now” purchase order is created and signed. If it is not approved, the employee is responsible for the purchase. If the invoice amount exceeds the purchase order amount by ten percent or more, the purchase order will be revised to reflect the appropriate amount. However, if the invoice amount exceeds the purchase order by an insignificant amount, the invoice is paid in full and the existing purchase order is marked as complete. For blanket purchase orders, the Treasurer receives approval from the Board at the organizational meeting to pay such obligations as they come due.

Springfield City School District – Clark County

Financial Accounting Report

Cash Disbursements

(continued)

The Accounts Payable Clerk, Data Center Specialist and Assistant Treasurer are the only people with a password to print requisitions, purchase orders and budgetary checks with the electronic signature. All blank checks are kept in the Treasurer's office print center. To process bills for payment, the Accounts Payable Clerk flags the purchase orders to be processed for payment and enters the appropriate invoice data in the accounting system. A "Select Invoice Report" is printed and the Accounts Payable Clerk compares the invoices to this report. The Assistant Treasurer is then notified that the checks are ready to be printed. Either the Assistant Treasurer or the Accounts Payable Clerk will go the Treasurer's office print center, log onto the system and print the checks. After the checks are printed, the Accounts Payable Clerk verifies the amounts against the invoices to ensure that no discrepancies exist. Since the District uses a laser printer for check writing, a check run will print on single sheet pre-numbered checks. A second check run is completed on blank paper. The original check is mailed with the remittance documents to the vendor. The second copy, which serves as part of the voucher, is attached to the supporting documents. The vouchers are filed numerically by check number in the Treasurer's office. A "Cash Disbursement Report" and a "Checklist" report are then printed and maintained in the Treasurer's office. The Cash Disbursement Report lists amounts under each fund and function of the School District that can be used to compare invoices to amounts posted within the accounting system. The Checklist report lists the check number, vendor, and amount of the check that the Assistant Treasurer sends to the bank for the positive pay system. This means that the bank will only cash the check numbers and corresponding amount that appears on the Checklist report provided by the School District.

If an accounts payable check is voided, it will have void written on it by the account clerk and the electronic signature has void written across it. The voided check is then attached to the original voucher packet and filed in numerical order. Voided payroll checks have void written on them and the electronic signatures are blacked out with a permanent marker. These voided checks are attached to the check register.

At the end of each month, the Assistant Treasurer runs a Check Register Report. This report is compared to the monthly bank statement and the cancelled checks list, which is downloaded from the bank, to verify that only approved checks are being paid by the bank.

Towards the end of each fiscal year, the Data Center Specialist and Assistant Treasurer review the open purchase orders to determine whether a purchase order should be closed or whether invoices still exist against the purchase order. If invoices still exist against an existing purchase order, that purchase order will be carried over to the following fiscal year. If the remaining encumbrance is not expected to be spent the purchase order will be closed.

Auditor of State Comments

1. The School District should document the procedures for cash disbursements including the staff positions involved and their functions. The document should also include procedures for invoices that exceed the purchase order amount. The document should be kept on file in the Treasurers' office.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

Description of an Effective Method of Payroll Processing

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

Statutory Requirements: The following State statutes apply:

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

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

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

Section 3319.141, Revised Code, for certified school employees and Section 3319.84, Revised Code, for classified employees, provide for minimum vacation and sick leave to be granted to employees, and indicates the procedures for paying the employees for leave balances credited to them upon separation from service. However, bargaining agreements may grant more or less leave time and alter separation payments.

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

Section 124.01, Revised Code, defines "Civil Service" to include all offices and positions of trust or employment in the service of the state and the counties, cities, city health districts, general health districts, and city school districts thereof. The board of education is required to follow the civil service commission rules for the appointment and termination of classified employees, and for their conditions of employment.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

(continued)

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 choosing. The classified employees, except interpreters, of the Springfield City School District are represented by the Springfield Educational United Support Staff (SEUSS). Interpreters are represented by the Teamsters Local Union No. 284. The civil service jurisdiction extends to the initial employment of clerical, custodial, maintenance, and cafeteria workers. After the commencement of employment, the terms and conditions of employment for these employees are governed by the terms of the negotiated agreement with the employees and the content of the contract may vary from civil service requirements.

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 treasurer; Section 3319.01, Revised Code, for appointment and duties of the superintendent (including compensation); Section 3319.02, Revised Code, for appointment, evaluation, renewal, and vacation leave of other school administrators; Section 3319.08, Revised Code, for teacher employment and reemployment contracts; and Section 3319.10, Revised Code, for employment and status of substitute teachers.

School District's Payroll Processing Procedures

All employment applications are received and kept on file by the human resources department. Recommendations for employment are made to the Board by the Superintendent and are recorded in the minutes by the Treasurer. Once employed, a copy of the license, transcript, evaluation and other non-payroll related information for each employee is maintained in the human resource department. The payroll department maintains records for each employee relating to W-4, benefit deductions, leave usage and balances.

The School District's pay period for classified, certified and administrative employees begins on Monday and ends on Sunday, fourteen days later. Employees are paid on Friday, twelve days after the pay period ending date. Payroll is processed for approximately 1,150 full and part-time employees. All supplemental and extra pays (i.e., hours worked outside normal working hours) for classified and certified employees are included in their bi-weekly pay. Administrative longevity is paid once a year at the end of the fiscal year. All employees receive an earnings statement with each pay that indicates gross and net earnings, withholdings (year-to-date and for the pay period), leave usage during the pay period, and leave balances as of the end of the pay period.

The Assistant Treasurer and payroll personnel are the only people with the password to print payroll documents and checks with the electronic signature. All blank checks are kept in the Treasurer's office print center. Voided payroll checks have void written on them and the electronic signature is blacked out with a permanent marker. These voided checks are attached to the check register.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

(continued)

Administrators: Administrative contracts are prepared by the human resource department and Payroll Supervisor based upon contract provisions approved by the Board. These contracts establish the annual salary and contract term for each administrative position. In addition, the contract references the Salary Schedule and Rules and Regulations Manual for Certified Administrative Personnel (Springfield Administrators and Supervisors Organization (SASO), Springfield Administrative Support Team (SAST) and select exempt administrative employees). This policy establishes retirement contributions, annual vacation and personal leave days to be credited, sick leave accrual, and job duties and expectations for each employee. In addition, the policy states that the Board will provide each employee with health, dental and term life insurance in the same manner and to the same extent as other employees. The contracts are reviewed and approved by the Board. The contract for the Superintendent runs from August 1 through July 31 of the subsequent year. The Treasurer's contract runs from January 1 through December 31. Contracts are paid over twenty-six pays. The signed contracts are kept on file in the Treasurer's office.

Certified: Teachers' salaries and benefits are governed by a negotiated agreement between the Springfield City School District and the Springfield Education Association. The present agreement covered the period of July 1, 2002 through June 30, 2005. This agreement was extended until June 30, 2006. The agreement establishes salary schedules that reflect annual rates of pay based upon years of experience and education. In addition, the agreement identifies the annual amount of personal leave to be credited and the sick leave accrual amount for certified employees. Certified employees do not earn vacation.

New contracts are prepared in a three step process for certified teaching staff. The process starts with the certified personnel receiving a notice of intention letter which is returned to the human resource department. This is how the employee lets the School District know whether the employee intends to remain with the School District. The human resources department maintains each teacher's years of service and education to determine their annual pay based upon the negotiated agreement. This list is then given to the Superintendent for recommendation to the Board. Upon Board approval, as noted in the minutes, the payroll personnel are given the approved list of teachers, from which they prepare a contract for each teacher. The contract is given to each teacher to be signed and returned to the payroll office where it is kept. The contracts for continuing teachers are completed in April for the following school year. New teachers' contracts are completed during the summer once the School District determines if they need to fill new teaching positions. The contracts become effective the first day of school and run through the last school day of the subsequent year.

Once the payroll department receives the Board's approved list, the payroll personnel uploads the contract amounts into the payroll system from the human resources system. The payroll system then calculates the amount to be paid to each individual over twenty-six pays. After the upload, the Payroll Supervisor reviews the data for accuracy.

Supplemental contracts go through the same three step process as teacher contracts each year. These contracts are issued at the same time contracts for certified employees are issued. All supplemental contracts that last the entire school year are paid over twenty-six pays. All other supplemental contracts are paid in two installments during the term of the contract. The final payment is made after all duties are completed and approval to pay has been received from the building Principal or Athletic Director.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

(continued)

Classified Employees: The classified employees' salaries and benefits, except interpreters, are governed by an agreement negotiated between the Springfield City School District and the Springfield Education United Support Staff (SEUSS). Interpreters are governed by an agreement negotiated between the Springfield City School District and the Teamsters Local Union No. 284. The present SEUSS agreement was originally approved for the time period October 28, 2004 through August 31, 2005. However, no changes have been made to this agreement and its terms have been extended through August 31, 2006, per a Memorandum of Understanding. The present Teamsters agreement was originally approved for the time period September 1, 2003 through August 31, 2004. No changes have been made to this agreement and its terms have been extended through August 31, 2006, per a Memorandum of Understanding. The agreements set forth hourly rates for all classified positions except classified supervisors and administrative positions which are paid based on annual salary amounts. Both agreements set forth the sick leave accrual amount and the amount of vacation and personal leave to be credited annually. In addition, the agreement defines overtime for each position and the rate of compensation for overtime. Classified employees are considered full-time if they work thirty-two or more hours per week.

Non-civil service classified employees are renewed each year in the same process as certified personnel. The only difference is that the classified employees receive a Letter of Appointment, instead of a contract. Employees hired under civil service jurisdiction, however, are initially employed without receiving a Letter of Appointment.

All classified employees are paid an hourly rate. Classified employees include the cafeteria workers, maintenance staff, educational and library aides, custodians, transportation staff and secretaries. These rates are based upon amounts set forth in the negotiated agreements. Cafeteria workers, transportation staff, maintenance workers, custodians, and part-time staff complete manual time sheets for all hours worked each pay period. Full-time educational, special education, library aides, and secretaries complete time sheets only for hours worked in addition to their assigned schedule. The time sheet is submitted to the employee's immediate supervisor. After the employee's supervisor approves and signs the time sheet, it is forwarded to the Treasurer's office. The payroll personnel re-computes the hours worked on the time sheets and compares leave usage to the approved leave sheets. Any discrepancies are resolved with the supervisor and the employee prior to processing.

Overtime earned by hourly employees during a pay period is paid at the time the employees are paid for that pay period. For the School District, this means that overtime earned by an employee is paid twelve days after that pay period has ended. Overtime must be approved by the employee's supervisor prior to being worked. This approval is only verbal. The approved overtime is included on the employee's time sheet that is sent to the Treasurer's office. The payroll personnel review the time sheets for the supervisor's signature and verify that the payment of overtime is appropriate, such as if overtime was earned on a holiday or other special situation. Any discrepancies are resolved with the supervisor and the employee prior to processing.

Leave: Vacation is credited to each employee at the end of the fiscal year in which it is earned, while personal leave is credited annually at the beginning of the school year as indicated in the respective certified and classified negotiated agreements or in each administrator's contract. Although established by negotiated agreements or in administrators' contracts, all employees currently receive a monthly accrual of one and one-quarter days of sick leave, based on assigned hours per day.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

(continued)

The School District uses the Substitute Employee Management System (SEMS) to record leave electronically. All School District employees must use this system to record any type of leave taken. The system works by identifying each person by Personal Identification Number (PIN). Upon completion of leave requests, the system will automatically call a substitute teacher or classified substitute to fill that position. A leave request form must be completed for all leave types except for sick leave.

Other types of leave available to employees are jury duty, bereavement leave, and assault leave. The type of leave desired, the hours to be used and the date is entered on a leave form which is submitted to the employee's immediate supervisor. The supervisor, department head, or principal approves leave requests prior to the employee taking the leave, or if the leave is unplanned, the supervisor or principal will approve the leave upon the employee's return. All leave forms are forwarded to the human resources department for final approval, to limit the number of planned leaves at any one school building. The employee must also call the SEMS system and document the leave taken. Payroll personnel then check the leave request forms to the SEMS report. At the end of each pay period, a transfer file is downloaded from the SEMS system into payroll system which starts the process of paying a substitute teacher or classified substitute.

Requests for leave without pay are approved by the Director of Human Resources. Any leave of absence must also be approved by the Board. A Payroll Clerk prepares an estimate of the amount to be adjusted on the employee's original contract in relationship to the amount of the leave requested by taking the employee's daily rate and multiplying it by the number of leave days. The estimate is sent to the employee as an explanation of what the School District did when they adjusted the employee's pay. The estimate is then entered into the payroll system. The system subtracts the amount of leave without pay from the regular contract pay in the pay period or periods in which the leave is taken.

The Treasurer's office is responsible for keeping vacation, sick, personal and other leave records for both certified and classified employees. A benefit balance report is run each month listing the outstanding balances for all leave types by employee. The approved leave sheets, for which actual leave was taken, are kept and used to verify balances in the event that an employee questions leave information as reflected on their earnings statements. A summary report of leave used by building is sent to all employees each month.

Other Employees: Substitute teachers and classified substitutes, other than bus substitutes, are automatically called when a leave request is recorded in SEMS. Each month a report is distributed to each building Principal that shows how much and what type of leave has been taken. Substitute bus drivers and aides, or individuals who assist bus drivers with maintaining order on the bus and assisting children on and off the bus, are called by the Transportation department when needed. A list of board approved substitute drivers and aides is maintained by the Transportation Supervisor.

Quarterly, the Treasurer's office prepares a check for each Board member based upon the roll call recorded in the minutes of each meeting. Board members elected prior the October 2002, are paid \$80 per meeting for no more than twenty-four meetings per year. Board members elected after October 2002, are paid \$125 per meeting.

Withholdings: Payroll, tax and retirement forms are given to new employees to be completed, signed, and returned to the human resources department, who then passes it on to the payroll personnel who enter the information into the payroll system. If employees need to change their payroll tax, retirement, or annuity information, they can obtain the appropriate forms from the payroll department, who then enters the changes into the payroll system. Withholding and various deduction forms are maintained in the Treasurer's office.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

(continued)

Payroll deductions for STRS and SERS are processed through the payroll system. The STRS report for payroll deductions is filed within five days after the payroll date and SERS is filed within 15 days of month-end. The Board's share of retirement is paid by deductions from the State Foundation settlements. The Assistant Treasurer posts a memo check for the Board's share. Payroll remits the employees' share of pension liability through the Automatic Clearing House network (ACH, a network used by financial institutions for the processing of electronic fund transfers) to STRS. On a bi-weekly basis, the School District uploads the payroll report to STRS.

SERS employee contributions are paid monthly. A monthly report is generated that identifies the amount of the contributions paid. The monthly contributions are remitted to SERS through ACH. The payroll technician verifies the amount contributed to be remitted through the SERS website. The monthly SERS report is then submitted electronically by the payroll technician. The report contains a listing of employees, the days worked and earnings.

Payroll deductions for medical and life insurance benefits are processed through the payroll system. The Data Center Specialist processes the Board's share of medical, dental and life insurance costs from the monthly reconciliation/invoice prepared by the Human Resources Benefits Specialist and the Payroll Supervisor.

Totals for all deductions are maintained on a control balance sheet by the Payroll Technician and balanced to the payroll calculation before checks are printed. A deduction listing is run once a month for health, dental, and life insurance contributions and compared to the insurance roster totals in human resources to ensure that all changes in insurance benefits were processed correctly by the payroll office. Other deduction lists are forwarded to appropriate vendors/providers with payments of employee deductions.

Payroll Processing: All payroll information must be received by the Tuesday following the end of the pay period. All payroll information is entered into the payroll system by the following Monday and a Test Calculation Report is run. The Test Calculation Report lists all errors due to improper coding or missing information (overtime, extra hours, miscellaneous pays, etc.).

Once the corrections are made, a new Test Calculation Report is run. The Payroll Technician then prints the payroll checks and direct deposit data. A Check Register report is also run upon the completion of the printing of payroll checks. The Assistant Treasurer is then emailed the total payroll liability for that pay. The Assistant Treasurer then wire transfers the amount to the payroll account.

Checks are signed at the time of printing with a check signer and printer. The Assistant Treasurer, Data Center Specialist, and payroll personnel are the only individuals with the password to print off payroll documents and checks with the electronic signature. The day before checks are released, the Payroll Technician transmits a file of checks issued by payroll to the bank to enable the bank to refuse payment for fraudulent checks. The payroll account is protected from fraud through the Positive Pay service.

Most of the School District's employees receive pay by direct deposit. The rest of the employees receive their payroll checks through interoffice mail sent to the building in which each works and either the principal or designee distributes the checks to each employee. During the summer, all paychecks are mailed.

Springfield City School District – Clark County

Financial Accounting Report

Payroll Processing

(continued)

Payroll checks and direct deposits are posted to the payroll system by running the Check Register Report. Appropriate deduction checks are printed and posted to the system by running the Deduction Listing Report. These items automatically post to the appropriation/expense ledger when posted to the payroll ledger. However, the prior month must be closed before the first payroll of a new month can be posted. There can be a delay in posting payroll data due to the timing of the previous month's close-out.

If mail delivery of a check is delayed, the employee must wait seven days from the date the check is mailed before the Treasurer's office will issue a stop payment. If a check is lost or stolen, a stop payment is issued immediately. At that time, the payroll check is voided and a new check is issued. The check is marked as a "void" in the check register and a new check register report is printed and the bank is notified electronically of the new check issued. This information is used for processing the bank reconciliation.

Internal Revenue Service W-2 forms are processed after the last payroll for the calendar year. W-2 forms are mailed to all employees by the end of January. All W-2 information is submitted electronically to the IRS through the Social Security Administration website.

Auditor of State Comments

1. Classified hourly employees complete a manual time sheet each pay period. The School District should use a mechanical or electronic time keeping device that records the start and ending time for these employees. Such device would need to be located in each building of the School District as there is no central location for all employees of the School District.

Springfield City School District – Clark County

Financial Accounting Report

Debt Administration

Description of an Effective Method of Debt Administration

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

The amount of the School District's outstanding debt at June 30, 2006 was \$56,418,950 and consists of the following:

	<u>Interest Rate</u>	<u>Principal Outstanding 6/30/2006</u>
<u>General Obligation Bonds:</u>		
1997 School Improvement Refunding Bonds	3.65 to 5.55%	\$6,303,669
Accretion on Capital Appreciation Bonds		2,565,645
2001 Classroom Facilities Assistance Bonds	4.0 to 5.2%	31,447,996
Accretion on Capital Appreciation Bonds		637,483
Bond Premium		330,504
Total General Obligation Bonds		<u>41,285,297</u>
<u>Loans:</u>		
2005 State Solvency Assistance Loan	0.00%	3,777,000
<u>Tax Anticipation Notes:</u>		
Permanent Improvement	4.30%	3,900,000
Current Expense	6.35 to 6.4%	6,462,000
Total Tax Anticipation Notes		<u>10,362,000</u>
<u>Capital Leases:</u>		
2003 Food Service Equipment		<u>994,653</u>
Total Obligations		<u><u>\$56,418,950</u></u>

All debt documents and amortization schedules are kept on file in the Treasurer's office.

Springfield City School District – Clark County

Financial Accounting Report

Debt Administration

(continued)

In prior years, the School District defeased School Improvement General Obligation Bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds.

The School Improvement Refunding Bonds were issued on December 1, 1996, in the amount of \$17,073,669. These voted general obligation bonds were issued for a sixteen-year period with the final maturity during fiscal year 2013.

On May 23, 2001, the School District issued \$38,102,996 in voted general obligation bonds for the purpose of acquiring land and building 16 new schools. The bonds were issued under the authority of the Ohio Revised Code Sections 133.06(O) and 3313.372. The bonds were issued for a twenty-three year period with final maturity during fiscal year 2024.

Auditor of State Comments

None

Springfield City School District – Clark County

Financial Accounting Report

Capital Assets and Supplies Inventory

Description of an Effective Inventory of Capital Assets and Supplies

Capital assets of the School District should be accounted for and reported in accordance with generally accepted accounting principles (GAAP). Capital assets of the School District should be adequately safeguarded against loss or theft. The School District should have a policy that defines capital assets, capitalization thresholds, determination of cost, useful lives, method of depreciation, assignment of assets and depreciation expense to an expense function, tracking of capital and non-capital assets, and determination of salvage values. 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 the 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 or Business Manager, and insurance records adjusted. The transfer or re-assignment of assets should be approved by an appropriate official and promptly recorded. Verification of the listed assets should be performed annually.

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 insure that items purchased are on hand or have been used. A physical inventory of all material items should be conducted at or near the fiscal year-end date.

Statutory 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.

Section 3313.41(A), Revised Code, requires that, except as provided in divisions (C), (D), (F), and (G) of this section, when a board of education decides to dispose of real or personal property that it owns in its corporate capacity, and that exceeds in value ten thousand dollars, 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 of education that owns the property. The board may offer real property for sale as an entire tract or in parcels. Under division (B), when the board of education 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.

Springfield City School District – Clark County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

School District's Method of Accounting for Capital Assets

The Board of Education had adopted formal policies regarding capital assets. The Board's policy defines capital assets as those tangible assets of the School District with a useful life in excess of one year and a certain dollar limitation. The policy requires the capitalization of capital assets valued over \$2,500 for the School District's financial statements. All capital assets with a value of at least \$500 are recorded by the School District for insurance purposes. Improvements to capital assets, which increase the capacity or the operating efficiency of an asset, will be capitalized when costs equal or exceed \$25,000. When the costs are substantial or when there is a change in the estimated useful life of an asset, depreciation, if applicable, should be revised on the basis of the new book value and new estimated remaining useful life. Capital assets shall be recorded at historical cost or estimated historical cost. Donated capital assets shall be valued at their estimated fair value at the time of donation. The last physical inventory was performed by the School District as of June 30, 2006.

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 principals, determine adequate insurance coverage and provide control and accountability. Board policy states that the Executive Director of Business Services and the Treasurer are responsible for the development and maintenance of the capital assets accounting system. To insure control over School District property, an individual in each building is assigned capital assets responsibilities and is designated to work with the Executive Director of Business Services. Recently, the Executive Director of Business Services position was vacated and the position has not been filled. It is not the intention of the School District to fill the position at this time. The School District has expanded the duties of the Construction Coordinator to include the completion of the capital asset system.

Audio-visual and computer equipment is inventoried by building, room number and teacher name and is maintained in a separate database from all other capital assets. Any item, regardless of value, that has any computing ability is tagged by the Technology Director. Leased equipment of the School District will be inventoried once the lease expires and title is passed to the School District. Movable equipment is inventoried by building, floor and room number. Any item that has a model number or serial number has that number listed in the description for full identification. All items assigned to a building are the Building Administrator's responsibility. All equipment purchased with a cost of \$2,500 or more is tagged upon receipt and made part of the equipment inventory within the capital assets accounting system. Buildings and the additions to buildings are not recorded on the School District's capital assets accounting system, but instead on a separate listing with the value shown for all individual structures. Land records are also not maintained within the capital assets accounting system. Instead, a record of all existing land acquisitions is maintained by the Assistant Treasurer.

Per Board policy, the purchase, movement, or disposal of capital assets can be initiated in writing by the building Principal and requires the prior approval of the Executive Director of Business Services. Any asset to be disposed of with a book value in excess of \$2,000 must be sold at auction. However, the Executive Director of Business Services, at his discretion, may require any asset, regardless of value, to be sold at auction. An auction shall be held at the discretion of the Executive Director of Business Services when sufficient assets have accumulated to warrant the cost of the auction. Minimum acceptable prices for assets sold at auction shall be established by the Executive Director of Business Services.

Depreciation shall be recorded for capital assets using the method(s) agreed upon by the Executive Director of Business Services and the Treasurer. Currently, depreciation is computed using the straight-line method.

Springfield City School District – Clark County

Financial Accounting Report

Capital Assets and Supplies Inventory

(continued)

The Technology Director tracks all technology related capital asset purchases on an excel spreadsheet and then gives the spreadsheet to the Construction Coordinator to enter into the capital asset accounting system. The Construction Coordinator's duties also include custodial and maintenance services. Any capital assets purchased relating to these functions will be entered in the accounting system by the Construction Coordinator, or his designee, directly. Any other purchases run through the Treasurer's office and the information necessary to add a capital asset to the capital asset accounting system is documented on a form and given to the Construction Coordinator.

School District's Methods of Accounting for Consumable Supplies

The School District currently does not have a consumable inventory policy. During fiscal year 2005, the School District eliminated the central warehouse, which is the location where all consumable supplies were maintained. Currently, each building within the School District has the responsibility of maintaining its own supplies. At this time the School District discontinued taking an annual physical inventory of its consumable supplies as it was felt that any supplies held at the buildings was immaterial to the School District's financial reporting.

As food is prepared daily production sheets are completed by cafeteria staff. The production sheets detail how much food was made, how much was sold, and how much was left over. Excess food is frozen and used to supplement the amount of food made the next time that the menu item is offered. If food is not handled properly by the cafeteria staff and waste is generated, it is noted on the production sheet. If food purchases are received in a damaged condition it is noted in the food software system and the vendor is notified to receive a credit or a replacement.

The food service department performs a physical inventory of supplies at the end of each month. Each building's Food Service Supervisor completes a monthly inventory report and provides it to the Data Processing Specialist. The Data Processing Specialist inputs the report totals into the food service software. The food service software maintains a master list of supplies that each building has on hand at the end of each month. From the software, the School District can gather information such as inventory counts, supplies received to date, and supplies used to date. Once the monthly information is inputted into the food service software the Food Service Data Processing Specialist prints out summarized reports. The Food Service Supervisor uses this summarized report to complete the State Child Nutrition reports online which are submitted to the State Department of Education.

Auditor of State Comments

1. The capital assets policy should be updated to address the depreciation method used and the estimated useful lives for capital assets.
2. The School District records leased equipment after title has passed to the School District. The School District should record equipment leased under capital lease in the capital assets accounting system at the inception of the lease.

Springfield City School District – Clark County

Financial Accounting Report

Cash Management and Investing

Description of an Effective Method of Cash Management

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

Statutory Requirements

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

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

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

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

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

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

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

Springfield City School District – Clark County

Financial Accounting Report

Cash Management and Investing

(continued)

Federal Requirements

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

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

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

The School District's Methods of Cash Management and Investing

The School District's treasury activities are the responsibility of the Treasurer. These activities include transferring cash among the various bank accounts, investing, and reconciling the treasury with the accounting records. The School District maintains a general checking account, a payroll checking account, a self-insurance fund checking account, a building fund savings account, two STAROhio investment accounts, a Butler Wick investment account, a Productive Portfolio investment account, and a JP Morgan Investment account.

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

Bank and Account Description

Huntington National Bank	General checking account used for the general operations of the School District.
National City Bank	Account used for the accumulation and distribution of funds for payroll of the School District.
Fifth Third Bank	Account used for the accumulation and disbursement of monies for the School District's self-insurance fund.
Fifth Third Bank	Investment account used to record a portion of the School District's local match of the Ohio School Facilities Commission construction project.
STAROhio	Investment account of the School District.
STAROhio	Investment account used for Ohio School Facilities Commission monies.

Springfield City School District – Clark County

Financial Accounting Report

Cash Management and Investing

(continued)

Butler Wick	Investment account used to record a portion the School District's local match of the Ohio School Facilities Commission construction project.
Productive Portfolio	Investment account in which the School District uses General Fund monies to purchase investments through Fifth Third and Citigroup.
JP Morgan	Account used for the accumulation and distribution of retainage withheld on construction projects.

The School District receives a copy of all cancelled checks from Huntington National Bank on a monthly basis via a compact disc for its general checking account and receives cancelled checks from National City Bank for its payroll account on a monthly basis. The Treasurer's office compiles the information and reconciles the various bank accounts each month. The Assistant Treasurer reconciles the general checking account and the payroll department reconciles the payroll account. Upon completion of these two reconciliations, the Assistant Treasurer will then prepare a reconciliation of all bank and investments accounts of the School District with the School District's funds. Reconciling items are identified on the monthly cash reconciliations, the bank statement and the monthly receipt report and are corrected and posted upon completion of the reconciliation process. The Board of Education then approves/accepts the reconciliations by resolution at a monthly meeting.

Voided accounts payable checks have void written on them by the account clerk and the electronic signature has void written across it. The voided check is then attached to the original voucher packet and filed in numeric order. Voided payroll checks have void written on them and the electronic signature is blacked out with a permanent marker. These voided checks are attached to the check register.

At the beginning of each fiscal year, the Board authorizes the creation of change funds throughout the School District. The food service department and each Athletic Director maintain individual change funds. At the end of the school year, change funds are returned to the Treasurer's office. Upon request, the Board authorizes the creation of petty cash funds for various departments or school buildings throughout the District. An annual reconciliation of existing petty cash funds is due upon request.

The investment policy addresses authorized investments and liquidity. The Board has authorized the Treasurer to make investments of available monies from the funds of the School District in securities authorized by State law. Earnings on an investment may become part of the fund from which the investment was made, unless otherwise specified by law. Currently, investment earnings from Fifth Third Bank relating to the self-insurance monies are deposited into the Self-Insurance Fund and investment earnings from Fifth Third Bank, STAROhio, Butler Wick, and JP Morgan relating to the Ohio School Facilities Commission construction project are deposited into Fund 010 of the School District. All other investment earnings of the School District are allocated to the various funds listed below based upon each fund's balance at the end of each month.

Springfield City School District – Clark County

Financial Accounting Report

Cash Management and Investing

(continued)

The funds that receive interest by Board resolution or law are the following:

001 General Fund	401 Auxiliary Services
004 Building Fund	006 Food Service
007 College Scholarship Fund	200 District Managed Student Activities *
008 Endowment Fund	300 Student Managed Activities *
010 Project Construction Fund	

* Funds must have a cash balance of \$2,000 or more at the end of the month to earn interest.

Auditor of State Comments

1. The Treasurer should review the monthly reconciliations and supporting documentation and sign them.
2. The Board should revise and update the School District's investment policy and submit it to the Auditor of State of Ohio. The latest revision of the policy is March 2, 2006, but this latest revision has not been filed with the Auditor of State.

Springfield City School District – Clark County

Financial Accounting Report

Financial Reporting

Description of Effective Method of Financial Reporting

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

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.

Administrative Code Requirements

By July 31 of every year, the treasurer shall complete Form 4502, Annual Financial Report, for the Ohio Department of Education. The report is generated by the School District's computer system and is transmitted to the Department of Education. School districts are required by Section 117-2-03(B) of the Ohio Administrative Code to prepare and publish an annual financial report in accordance with generally accepted accounting principles (GAAP).

The School District's Method of Financial Reporting

The School District uses software provided by Ace Software, LLC which provides both standard and customized month and year-to-date reports. The School District prepares month and year-to-date reports, saves them into a PDF file format and stores them on-line. Throughout the year, various payroll reports are kept on file in the Treasurer's office as well as on CD-ROM. The 4502, the unaudited cash basis annual financial report, is completed during the month of July and is submitted to the Ohio Department of Education electronically through the School District's A-site, Miami Valley Educational Computer Association (MVECA).

The School District prepares its annual financial report in accordance with generally accepted accounting principles (GAAP). The unaudited financial statements are filed with the Auditor of State, Local Government Services Section within 150 days of the end of the fiscal year or, if unable to meet the deadline, an extension is requested.

Springfield City School District – Clark County

Financial Accounting Report

Financial Reporting

(continued)

The Board meets regularly twice a month. Once a month at a regular Board meeting, the Treasurer provides Board members with the following:

- 1) A cash position report that details, by fund, cash receipts and disbursements for the month and for the year-to-date as well as the cash balance and the outstanding encumbrances.
- 2) An appropriation report that details, by fund, the appropriation amount, month and the year-to-date expenditures, unexpended balance, outstanding encumbrances, and unencumbered balance.
- 3) A monthly bank reconciliation to demonstrate that all reconciled bank balances equal fund cash balances.

Auditor of State Comments

1. As soon as the financial audit is released, the audit report and the management letter should be distributed to all Board members rather than by request only. The Treasurer should also discuss the audit report with the Board.
2. The Treasurer should provide the Board with a report that details, by fund, the revenues received by source and by month and year-to-date and a comparison of actual receipts against estimated receipts.

Springfield City School District – Clark County

Financial Accounting Report

Recording Official Proceedings

Description of an Effective Method of Recording Official Proceedings

The School District's minutes should reflect full and accurate information that permits the public to understand and appreciate 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 should 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 to it.

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

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

The School District's Method of Recording Official Proceedings

Regular meetings of the Board are scheduled twice each month for the period August through June, with the exception of the months of November and December in which only one meeting is scheduled. Times and dates of regular meetings are set at the organizational meeting in January for the calendar year. The meetings are videotaped for replay on the local public access cable channel. A complete video and audio tape and typed minutes of Board meetings are maintained in a safe in the Treasurer's office. The Board has waived the reading of minutes at meetings provided such minutes has been distributed to the Board members at least two days prior to the next meeting and that the copies of such minutes are made available to the public and to the news media at the time of the meeting. Per Board policy, minute records are to be retained permanently.

Springfield City School District – Clark County

Financial Accounting Report

Recording Official Proceedings

(continued)

Auditor of State Comments

1. The School District should maintain an index of resolutions.
2. The School District's typed minutes should reflect full and accurate information to permit the public's understanding and appreciation of the rationale behind the Board's decisions. The School District also records the Board meetings on VHS tapes (old technology). Reliance on media to fulfill recording official proceedings requirements can be sufficient but the media must be able to withstand time (i.e. to be retained permanently) and provide accurate detail (i.e. who is speaking). The Board of Education's intent as to which method of recording Board meetings is to be the official record is unclear.

The Supreme Court issued a decision in 2001 that involved a city council's audio taping of its meeting (*State ex rel. Long v. Council of the Village of Cardington*, 92 Ohio St. 3d 54; 2001 Ohio 103 (2001)). The Cardington Village Council used audio tapes to supplement the written minutes. The Court criticized that method because (1) the tapes would have to be maintained for the same length of time as the written minutes (not destroyed or taped over after the written minutes are approved) and (2) the taped minutes had inaudible portions and many times the speaker on the tape could not be identified. The Court determined that the written and audio minutes taken together did not constitute full and accurate minutes.

The Auditor of State's Office suggestions to public bodies who want to "tape" their minutes and maintain them as official minutes is to video tape the minutes, make sure all members of the public body have a microphone and to have name placards in front of each. Audio taping, in our opinion, should only be used to aid in the transcribing the minutes into written form. The written minutes should be the official minutes and should follow the Supreme Court's instructions of being full and accurate and stating sufficient facts and information to permit the public to understand and appreciate the rationale behind the public body's decisions. It is important to note that the taped minutes are also a public record.

The Board of Education should review with its legal counsel the methods used to record the Board's proceedings to ensure they meet statutory requirements and related court cases. The Board of Education should then adopt a policy that defines how the proceeding will be recorded (including the level of detail if written) and maintained as permanent records. The Board of Education should also address how documents presented to the Board, both prior to and at the meetings, should be referenced in its official proceedings and retained.

The School District also informed our office that a separate accessory file is maintained which contains additional attachments that are not maintained in the minute book. The typed minutes do not reference the availability of this accessory file.

Springfield City School District – Clark County

Financial Accounting Report

Conclusion

The methods described and included in this report are based on our inquiries and discussions with School District personnel and the related procedures documented from the School District's Policy Manual, resolutions, Ohio Administrative Code and the Ohio Revised Code.

It is our opinion that the current methods of the accounting and financial reporting of the Springfield 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.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

SPRINGFIELD CITY SCHOOL DISTRICT

CLARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 22, 2006**