

Accounting Procedures Manual

Lexington School District 4

ACCOUNTING AND REPORTING PROCEDURES MANUAL

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INTRODUCTION

The Lexington School District 4 School Board believes that the quantity and quality of learning programs are directly dependent on the funding provided and the effective, efficient management of those funds. Therefore, achievement of the District's purposes can best be made through excellent fiscal management. To achieve this, a system of accounting practices and procedures is necessary for the District to account for the receipt and disbursement of funds in an accurate and efficient manner as well as providing for the safeguarding of the District's assets.

Inherent in the governing process of Lexington 4 is that District Employees who are entrusted with public funds are expected to safeguard those funds and assets and expend its funds in a manner that is efficient, economical and effective to achieve the purpose for which they were provided to the District. Officials and employees who handle such funds must provide a full accounting of their activities to both the public and to other levels of government.

Recently major changes have been implemented by the Governmental Accounting Standards Board (GASB) that alters the context of both recordkeeping and reporting by the District and those to who they are accountable. On June 30, 1999, GASB approved GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis -for State and Local Governments*. This statement calls for the most significant change in the history of governmental accounting and reporting. It is a major change in the way School Districts record, report and present financial information.

Statement 34 addresses two separate components of financial accountability:

1. Fiscal accountability requires that Districts demonstrate compliance with public decisions concerning the raising and spending of public funds in the short term, which is usually a single budgetary cycle, or one year.
2. Operational accountability requires that a district demonstrate the extent to which it has met and can continue to meet its operating objectives in an efficient and effective manner.

The District is responsible for compliance with both Federal and State Regulations that govern aspects of operations, recordkeeping and financial reporting. Annually, the South Carolina State Department of Education publishes the following:

Financial Accounting Handbook
Funding Manual
Single Audit Guide

In addition the Federal Government's Office of Management and Budget (OMB) has issued OMB Circular A-133 and related compliance supplements.

It is the position of Lexington School District 4 that the District will be in compliance at all times with the requirements outlined in the above authoritative publications and if any procedures listed in this manual are in conflict with the procedures required by the above publications then the procedures required by the above publications will be followed.

INTERNAL CONTROL SYSTEM

The School District's internal control system comprises the policies and procedures established to provide reasonable assurance that specific District objectives will be achieved. Accounting responsibilities, procedures, and policies should be implemented and designed to prevent:

1. Misstatement of account balances because errors go undetected (both intentional and unintentional); and,
2. Misappropriation of cash and other resources of the School District.

These objectives are pursued through a sound internal control structure which is carefully established and meticulously followed by accounting personnel. Such an internal control structure can also tend to promote operational efficiency.

From a financial statement perspective, the School District's internal control structure is comprised of the control environment, the accounting system, control procedures and internal control systems. These elements of the internal control structure are as follows:

Control Environment

The control environment encompasses the collective effect of various factors on establishing, enhancing, or mitigating the effectiveness of specific policies or procedures. The control environment includes such factors as management's philosophy and operating style.

1. The District's organizational structure.
2. The functioning of the Board of Trustees.
3. Methods of assigning authority and responsibility.
4. Management's control methods for monitoring and following up on performance, including internal reviews.
5. Personnel policies and procedures.
6. Various external influences that effect the District's operations and practices, such as examinations by regulatory agencies.

The control environment reflects the overall attitude, awareness, and action of the Board of Trustees, Administration, and others concerning the importance of control and its emphasis in the District.

Accounting System

The accounting system encompasses the methods and records established to identify, assemble, analyze, classify, record, and report the District's transactions and to maintain accountability for the related assets and liabilities. An effective accounting system gives appropriate consideration to establishing methods and records that will:

1. Identify and record all valid transactions.
2. Describe on a timely basis the transactions in sufficient detail to permit proper classification of transactions for financial reporting.
3. Measure the value of transactions in a manner that permits recording their proper monetary value in the financial statements.
4. Determine the time period in which transactions occurred to permit recording of transactions in the proper accounting period.
5. Present properly the transactions and related disclosures in the financial statement

Control Procedures

Control procedures encompass those policies and procedures, in addition to the control environment and the accounting system that Administration has established to provide reasonable assurance that specific District objectives will be achieved. Control procedures pertain to:

1. Proper authorization of transactions and activities.
2. Segregation of duties to reduce the opportunities to allow any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of his or her duties. A sound segregation of duties entails assigning different people the responsibilities of authorizing transactions, recording and reconciling transactions, and maintaining custody of assets.
3. Design and use of adequate documents and records to help ensure proper recording of transactions and events, such as monitoring the use of pre-numbered documents.

Internal Control Systems

1. Provide adequate safeguards over access to and use of assets and records, such as secured facilities and authorization for access to computer programs and data files.
2. Independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliations, comparisons of assets with recorded accountability, computer-programmed controls, administrative review of reports that summarize the detail of account balances, and user review of computer-generated reports.

Governmental Accounting Fund Accounting System

The need to account for separate operations differently and the fact that many school district revenue sources carry legal restrictions regarding how they can be spent, have together resulted in the development of fund accounting for school districts. Fund accounting emphasizes separate detailed accounting and reporting for each of the several subparts of a district called funds, rather than accounting and reporting for the District as a whole. Significant importance is placed upon the need for the accounting system to assure that spending restrictions are met.

The Governmental Accounting Standards Board has defined the term "fund" as follows;

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Funds are generally classified into three categories. The first category of funds is governmental funds. Governmental funds are often called 'source and disposition,' 'expendable,' or 'government-type' funds. These are the funds through which most school District functions are typically financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through this fund category (general, special revenue, capital projects, and debt service funds).

The governmental funds are in essence, accounting segregations of financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used; current liabilities are assigned to the fund from which they are to be paid; and *the difference between governmental fund assets and liabilities, the fund equity, is referred to as "Fund Balance."*

GASB Statement No. 34 creates, in addition to the four 'traditional' governmental funds, a fifth governmental fund type, to be known as a "Permanent Fund". The role of the permanent fund is "to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support reporting government's programs-that is, for the benefit of the governmental unit.

The second major fund category is proprietary funds. These funds are sometimes referred to as "income determination", "nonexpendable," or "commercial-type" funds. They are used to account for the District's ongoing organizations and activities (such as food service because food service generates income) that are similar to those often found in the private sector (enterprise and internal service funds). All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business and quasi-business activities are accounted for through proprietary funds.

The third major category of funds is the fiduciary funds. These are funds used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Under GASB Statement No. 34 significant changes have been made in the fiduciary funds. These are discussed later in detail under Types of Funds.

Generally accepted accounting principles has established a fourth category, the self-balancing accounts, to demonstrate accountability for and control of the District's general capital assets and general long-term liabilities. The District's general capital assets are comprised of all capital assets except those accounted for in proprietary or trust funds. They are not financial resources available for expenditure. The immature principal of the District's general long-term liabilities (long-term liabilities not accounted for in proprietary funds or trust funds) do not require an appropriation or expenditure (use of financial resources) during the current accounting period. Consequently, neither is accounted for in the governmental funds, but in the self-balancing accounts. These accounts are not funds since they do not reflect available financial resources and related liabilities. They are purely accounting records of the capital assets and general long-term liabilities, respectively, and certain associated information.

Types of Funds

The School District's accounting records should be maintained in a manner which permits the preparation of separate reports on the different types of funds. Districts should maintain the minimum number of funds consistent with legal and operating requirements, since too many funds can result in inflexibility, undue complexity, and inefficient financial management. The following major fund types and two self-balancing accounts should be used by the District, when applicable.

Governmental Funds:

1. **The General Fund** - Accounts for all financial resources except those required to be accounted for in another fund.
2. **Special Revenue Funds** - Accounts for the proceeds of specific revenue sources (other than major or capital facilities other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governments.)
3. **Debt Service Funds** - Accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest.
4. **Permanent Funds** - Accounts for resources that are legally restricted to the extent that only earnings, and not principle, may be used for purposes that support Abbeville County School District.

Proprietary Funds:

1. Enterprise Funds - to account for operations that are:
 - a. Financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or

- b. Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds:

The GASB Statement No. 34 makes significant changes in the fiduciary funds - trust and agency funds. GASB considered that the inclusion of the fiduciary funds resources that are not available to support a government's programs within a set of government-wide financial statements might be misunderstood by the financial statement users. Accordingly, fiduciary funds (and fiduciary-type component units) will be excluded from the new government-wide financial statements required by GASB-34. GASB 34 will allow fiduciary funds to be used only to report assets that cannot be used to support Lexington 4's own programs. As a result of this change, many activities currently reported in fiduciary funds, particularly in expendable trust funds, now will be reported in some other fund type. In many cases, the new location of reporting such activities will be one of the governmental funds (general fund, or special revenue funds).

GASB Statement No. 34 alters the existing fiduciary fund structure in four important ways:

1. The new reporting model eliminates the trust and agency fund type, thereby elevating the various components of this fund-type status in their own right.
2. The new reporting model eliminates both the expendable and nonexpendable trust fund types. Third GASB Statement No. 34 creates a new "private-purpose trust funds" fund type.
3. The pension trust fund type is expanded to embrace other employee benefits as well as pensions.

Fiduciary Fund Types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include:

1. **Agency Funds** - used to account for resources held by the reporting government in purely custodial capacity (assets equal liabilities). Agency funds involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.
2. **Investment Trust Funds** - used to account for the external portion of investment pools reported by the sponsoring government, as required by GASB Statement 31, paragraph 18.

Under the current reporting model fiduciary funds not all present the same basic financial statements. Under the new government financial reporting model, all fiduciary funds will reports the same two basic financial statements: Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets. This change is the natural result of the elimination of the expendable and nonexpendable trust fund categories.

Self-Balancing Accounts:

1. **General Capital Assets**-capital assets of the government that are not specifically related to activities reported in proprietary or fiduciary funds. General capital assets are associated with and generally arise from governmental activities. Most often, they result from expenditures of governmental fund financial resources. They should not be reported as assets in governmental funds but should be reported in the governmental activities column in the governmental-wide financial statements.
2. **General Long-term Liabilities**-accounts for the unmatured principal of bonds, warrants, notes, or other forms of noncurrent are long-term general obligation indebtedness. General long-term debt is not limited to liabilities arising from debt issuances, but may also include noncurrent liabilities on lease-purchase agreements and other commitments that are not current liabilities properly recorded in governmental funds. General long-term liabilities should not be reported as liabilities in governmental funds, but should be reported in the governmental activities column in the government-wide statement of net assets.

ACCOUNT CODING SYSTEM

Account Number Structure and Detail

The State Department of Education publishes a *Financial Accounting Handbook* (see Appendix A) and *Funding Manual* which serves as the basis for the account code structure used by the District.

Account codes consist of 15 digits - three strings of three digits, four digits, and finally two digits as illustrated below:

000	000	000	0000	00
1	2	3	4	5
Fund Number	Function	Object	Modifier	Location

1. **Fund Number** - The following three digits are assigned to funds utilized by the District: 100 General Fund, 200 Special Revenue (normally identifies all federally funded programs), 300 Special Revenue (used for Education Improvement Act Funds), 400 Debt Service, 500 Capital Projects, 600 Food Service, 700 Pupil Activity Account Coding System, 800 and 900 Special Revenue.
2. **Function** - The action a person takes or the purpose for which a thing exists or is used. The Function describes activities for which services or material objects are acquired. The activities of a school district are classified into five broad functional areas: instruction, supporting services, community services, non-programmed charges and debt services. Functions are further broken down into sub-functions and service areas which are subsequently subdivided into areas of responsibility.

For example: 111 - Kindergarten, 137 - Preschool Handicapped, 222 - educational media
3. **Object** - Defines the service or commodity obtained as the result of a specific expenditure. There are seven broad object categories. They are: 100's Salaries, 200's Employee Benefits, 300's Purchased Services, 400's Supplies/Materials, 500's Capital Outlay, 600's Other Objects, and 700's Transfers. These broad categories are subdivided to obtain more detailed information about objects of expenditures. A three-digit code is used which makes it possible to identify detailed expenditure information.
4. **Modifier** - The four digit code can be used by the person spending the money to distinguish like account from one another. (Example: 100-254-410-0090-09, the modifier 0090 was used to distinguish the school's custodial supply budget from the district level maintenance supply budget.)

5. **Location** - The two-digit location code identifies the location expending the money. The following list are the Lexington 4 School District location codes:

10	District Office
34	Swansea High School
35	Frances Mack Intermediate School
36	Sandhills Middle School
37	Swansea High Freshman Academy
39	Sandhills Elementary School
40	Sandhills Primary School
80	Early Childhood Center

Coding for Revenues

1. An example of a revenue code is: 102-003-312-0000-10

100	Represents General Fund
003-312	Denotes Revenue Code 3312 (the Revenue Code for Education Finance Act Funds Designated for Primary Education)
0000	Modifier Which is Not Used for Revenue
10	Identifies the Location, If Applicable

Coding for Expenditures

1. **Function** - the action a person takes or the purpose for which thing exists or is used. The function describes activities for which services or material objects are acquired. The activities of a School District are classified into five broad functional areas:

- a. Instruction
- b. Supporting Services
- c. Community Services
- d. Non-programmed charges
- e. Debt services

Functions are further broken down into sub-functions and service areas which are subsequently subdivided into areas of responsibility.

2. **Object** - the service or commodity obtained as the result of a specific expenditure. Seven major Object categories are identified and described in this manual:

- a. Salaries
- b. Employee Benefits
- c. Purchased Services
- d. Supplies and Materials
- e. Capital Outlay
- f. Other Objects
- g. Transfers

These broad categories are subdivided to obtain more detailed information about objects of expenditures. A three-digit code is used which makes it possible to identify detailed expenditure information.

Note: Since all expenditure accounts are not allowed in each fund type, please refer to the State Department of Education's *Single Audit Guide and Funding Manual* to determine the appropriate account code for expenditures.

Budgeting

Legal Considerations

The basic legal requirements pertaining to the budget process for the School District of Lexington School District 4 is contained in *The South Carolina Code of Laws*. This Code of Laws Governs the basic framework within which budgeting must be carried out. The following matters should be considered in view of the South Carolina Code of Laws:

1. What are the responsibilities of the District with regard to the budget?
2. What legal actions are required to establish the official budget?
3. How detailed must the budget enactment be?
4. What time schedule must be followed in the budget adoption process?
5. How may the enacted budget be amended?
6. What is the legal level of budgetary compliance?
7. Can an unbalanced budget be adopted?
8. What can be or should be done about budget deficits?

School administrators should be familiar with legal provisions with regard to the budget process. Assistance or legal advice may be obtained from the South Carolina Department of Education or the District's legal counsel.

Responsibilities - Administration's Role

Administration's role in the budgetary process involves three major areas:

1. Preparing budget proposals for consideration by the Board;
2. Explaining and clarifying current fiscal conditions, fiscal prospects, and budgetary proposals to the Board;
3. Implementing the budget enacted by the Board and monitoring performance to ensure that programmatic and fiscal objectives are met.

Administrators must be involved in the details of budget development and implementation. They must also seek to summarize these details and present information in a way that complements the Board's policymaking function.

Annual Budget

The annual budget is the financial plan for the operation of the school system. The District will express those plans through four types of budgets:

1. General Fund
2. Special Revenue Funds (federal and state)
3. Capital Funds
4. Debt Service Funds

The budgets provide the framework for both expenditures and revenues for the year. They translate into financial terms the educational programs and priorities for the system.

Planning the budget document is a continuous process. Planning involves long-term thought, study, and deliberations by the superintendent, board, administrative staff, faculty and citizens of the District.

The Superintendent will have overall responsibility for budget preparation. Based on the superintendent's recommendations, the board will approve an annual operating budget.

The Budget Calendar

The annual operating budget should be enacted prior to the beginning of each fiscal year. Since the budget is an operating financial plan for the School District, it is important that school officials know the terms of the budget early in the fiscal year, and preferably before the fiscal year begins. This knowledge will permit them to adjust for any changes the budget may require in services and procedures well in advance of the time they must be implemented. It also permits the finance office to make the necessary entries in the financial records to begin controlling expenditures when the fiscal year begins.

To ensure that the goal of enacting the budget prior to the beginning of the fiscal year is met, a budget calendar should be prepared that establishes all key dates. A Budget Development Plan should be prepared by the Business Manager and Superintendent. This plan outlines in detail how the budgets will be developed.

BUDGET CALENDAR

<u>DATES</u>	<u>ACTIVITIES</u>	<u>RESPONSIBILITIES</u>
February	Principals/Dept. Heads Present Budgets to Superintendent	Budget Team
February	Superintendent Provides Budget Priorities to Business Manager	Supt./Business Manager
March	Revenue Forecasts/Expenditure Projections	Business Manager
March	Budget Worksession	Supt./Business Manager
April	Advertise Public Budget Hearing	Business Manager
May Board Meeting	First Reading of Budget	
June Board Meeting	Second Reading/ Budget Adoption	

Budget Transfers/Adjustments

Principals/Department Heads may transfer funds under their control from one area to another providing the transfer does not increase the total budget. Normally, transfers may be made from supplies, travel, equipment and other object accounts. Principals/Department Heads who want to transfer funds through this procedure must send a *Budget Transfer Request Form* (Appendix D) to the Business Manager specifying which accounts are being increased and which accounts are being decreased with a reason for the transfer.

Occasionally, budgets must be increased and funds are not available to offset the increase. If this need arises, Principals/Department Heads should send a memo to the Superintendent/Business Manager requesting a budget increase specifying which accounts need increasing with a reason for the increase. The Business Manager will then determine if funding is available for this request. Budget adjustments must have approval of the Superintendent.

The *CSI Update Budget Changes Report* and *Budget Transfer Request Form* will be filed in a binder along with the source document requesting the transfer.

Any changes to the over all budgeted amounts must be approved by the Board of Trustees. The Business Manager prepare a budget update agenda item for Board Approval.

Any special revenue funds (grants, federal programs, etc) have specific rules regarding transfers and are subject to additional review by the Grants Manager. A Grants Manager must approve all Grants transfers.

Budget Monitoring

The Finance Office will prepare a monthly listing of all accounts within each school. Each account listed will indicate the revised budget, current period expenditures, total expenditures to date, and balance remaining to be spent. A monthly detailed transaction report will also be generated. Principals/Department Heads are responsible for monitoring and managing budgets for programs under their supervision.

Grant Procedures

A grant represents funds requested from a state, federal or private source. The grant is a commitment from the source to provide funds for specified purposes.

In order to process a grant, the following steps must be completed before any commitments for purchases or employment are made:

1. Submit to Finance:
 - a. A complete copy of the grant application with all required signatures if an application is required.
 - b. A copy of the signed award letter from the granting agency specifying the amount of the grant and clearly indicating approval. Someone must sign the award letter from the granting agency.
 - c. A copy of any reporting requirements and any deadlines for the grant.
 - i. If financial reporting is required, Accounting will provide this information; however, the budget must be set up to allow us to provide the information from our reports. If program information is required (the purpose of expenditures, how the expenditures meet the objectives of the grant, etc.) the person writing the grant application is responsible for ensuring the proper information is provided.
 - d. If "matching" funds will be provided from District resources a written authorization from the District Administrative staff committing the funds must be submitted.
 - e. A complete budget for the grant. The budget must be prepared using the functions and objects of expenditure shown in the Financial Accounting Handbook published by the State Department of Education (see Appendix A).
 - i. If salaries are budgeted for the grant, the number of positions must be specified for each program. (Example: Elementary, 2 teaching positions; Counseling, 1 Counselor.) All compensation must be budgeted and paid from the proper salary code. Employer matching contributions must be calculated and included in the budget.
 - ii. For each position budgeted; the salaries and benefits must be calculated.
 1. Salaries are calculated based on the number of days/ hours and the appropriate salary schedule.
 2. All employees are subject to FICA (Social Security taxes), and Retirement.
 3. If the employee works somewhere else in the District you must budget for the proportionate share of the benefits.

2. Chart of Accounts

After Accounting receives the above documents, they will establish account codes to go with the budget items outlined in the budget. A budget will be set up in the computer and furnished to the Principal/Department Head or Project Manager showing Fund, Function and Object Code for each budgeted item. **NO PURCHASE ORDER REQUISITIONS, EMPLOYMENT REQUESTS OR OTHER COMMITMENTS ARE TO BE ISSUED UNTIL AFTER THE BUDGET HAS BEEN SET UP.**

3. After you receive the Budget, you may process grant expenditures.
 - a. If you intend to hire someone, prepare an employment request form that can be obtained from the Department of Human Resources. The request must include the proper account code and identification of the position that is being filled. Submit the employment request to the appropriate administrator. (The same information must be included on an employment request for a replacement employee when someone quits or is transferred.)
 - b. When preparing purchase orders, be sure to use the appropriate account code on the *Purchase Order*.
4. All monies received in the District for special grants must be expended in accordance with established District accounting procedures.
5. Grants requiring annual approval will be budgeted according to the anticipated revenue and expenditure amounts provided by the Program Coordinator. These budgets will be revised when the grant is re-approved.

SC Department of Education Assurances, Terms and Conditions for Federal Awards

(Effective 7-1-15)

In order to comply with the OMB CFR Part 200 Subpart E relating to the allowability, reasonableness, and allocability of cost consistent with the approved budget. Allowed expenditures are determined by what is allowed in the approved budget of the grant. A copy of the federal grant(s) is reviewed by the Director of Accounting and the Chief Financial Officer after submission to them by the applicable district coordinator of the grant (i.e. Director of Special Services coordinates IDEA). Purchase requisitions (PR) require the approval of the program administrator via Business Plus workflow to determine if the expenditure is allowable. The PR then is approved in workflow by the Director of Accounting for coding prior to final approval and issuance of a purchase order by Procurement. The Director of Accounting periodically reviews the approved personnel within the grant and that they are paid the appropriate wage allowed to be charged to the grant.

Purchasing

The Purchasing system as outlined in this section is to provide a systematic and businesslike method of obtaining and supplying materials and equipment for the District. All purchases of the District will be in accordance with the approved Lexington School District 4 *Procurement Policy*. Any single procurement not exceeding \$50,000 may be made by the school district in accordance with this paragraph; provided, however, **that such procurements shall not be artificially divided so as to constitute a small purchase.** Related items (such as small hardware items or spare parts for vehicles) may be included in one solicitation and the award made on an "all or none" basis. In such cases, suppliers must be advised of this award procedure at the time quotations are requested.

A purchase order is required for any District employee to purchase items in excess of \$500.00. Items being picked up at a vendor, or charged to a District charge account, such as Wal-mart, Office Max, etc must be purchased using the purchase order procedure regardless of the amount and even if the items are being paid for with a credit card. The Maintenance Department is exempt from the departure of this procedure. School Food Service is also exempt from the departure of this procedure. Each School Food Service manager has a credit card assigned to their location, therefore charges are easily tracked.

Small purchases not exceeding \$2,500 may be accomplished without competitive quotations, if the prices are considered to be reasonable. The district shall annotate the purchase requisition as follows: "Price is fair and reasonable" and sign such purchase requisition. Such purchases must be distributed equitably among qualified suppliers. When practical, a quotation will be solicited from other than the previous supplier prior to placing a repeat order.

Small purchases from \$2,500.01 to \$10,000 may be accomplished, if verbal or written quotes from a minimum of three qualified sources of supply are made and it is documented that the procurement is to the advantage of the school district, price and other factors considered, including the administrative costs of the purchase. Such documentation must be attached to the purchase requisition.

Small purchases from \$10,000.01 to \$50,000 may be accomplished, if written solicitation of written bids, proposals or quotes from five qualified sources of supply are obtained and it is documented that the procurement is to the advantage of the school district, price and other factors considered, including the administrative costs of the purchase. Such documentation shall be attached to the purchase requisition. When prices are solicited by telephone, the vendors must be requested to furnish written evidence of such quotation.

Purchase Order Procedure (see Appendix B, sample purchase order)

Pre-numbered purchase orders will be issued to schools and departments by the Finance Office. The Finance Office will maintain a log of the series of numbers issued to each School/Department. The Principal/Department Head will decide which small purchase procedure will be used according to Procurement Policy. Once the vendor is selected, a Purchase Order is issued to the vendor by the Principal//Department Head authorizing the purchase. All sections of the Purchase Order document must be completed and signed by the Principal/Department Head. The Purchase Order will be in triplicate. The white copy is sent to the vendor, the pink copy is returned to the individual ordering the items and the yellow copy is retained by the Principal/Department Head filed numerically with all other Purchase Orders.

If an individual picks up merchandise from a vendor he or she is only authorized to pick up the items that are listed on the original purchase order. Do not pick up additional merchandise or change what was originally ordered. If the merchandise price has decreased, do not try to spend the savings on additional merchandise.

Purchase orders may be issued with items listed on an attachment. Please indicate this on the purchase order with, Per Attached List. If individual item prices are not known the purchase order should read, Not to Exceed \$-----. This procedure should only be used when shopping a retail store such as Wal-Mart, etc. Prices should be obtained by item at any other time.

RECEIVING ITEMS ORDERED AND PROCESSING INVOICES FOR PAYMENT

(Principal/ Department Head Office)

1. Upon receipt of the items, the pink copy of the Purchase Order will be signed by the person receiving the items (indicating that the items were received and date received) and returned to the Principal/Department Heads Office. The pink copy of the purchase order now becomes a receiving document that is attached to the invoice along with documentation that the procurement policy was adhered to.
2. Verify that extensions and totals on invoice are correct.
3. Verify that a signature of the individual that received the items is on the pink copy of the purchase order.
4. Verify that the items ordered and price on purchase order matches items and price on the invoice. If they do not agree, approval of the invoice indicates that price change or quantity change is satisfactory. If all items on the purchase order were not received, circle the items in the quantity box that you have received. Then sign, date, and submit a copy to accounting so a partial payment may be made to the vendor. When you receive or cancel the remaining items sign, date and submit the original pink copy of the purchase order and submit the original pink copy to accounting so the purchase order can be completed. The Principal/Department Head will sign and date the invoice authorizing payment of the invoice.
5. The complete package is sent to Account s Payable for payment. It is important to process your pink copy as quickly as possible. Accounting will not pay an invoice from a vendor without a signed pink copy indicating that the merchandise has been received.

SALES AND USE TAX REQUIREMENTS

The District is not exempt from paying sales tax on most purchases. Examples of sales subject to sales tax are magazine subscriptions, reader guides, test and answer sheets, evaluation criteria, games, albums, pupil cumulative records, guide pamphlets, yearbooks, award certificates, diplomas, writing materials, art supplies, drafting supplies, easels, projectors, projector lamps and bulbs, projection screens and equipment carts or tables, flannel boards, laboratory supplies and equipment, biological supplies incidental to classroom instruction, athletic equipment, shop supplies and equipment, recorders, computer instructional equipment, charts, maps, blank tapes and any and all other items of tangible personal property used in the classroom or office which do not qualify as "textbooks". Therefore, textbooks, magazines, and periodicals sold to public schools for use as part of a prescribed course of study are not subject to sales and use taxes. The exemption is further defined in Regulation 117-174.213 to include school library books, encyclopedias and dictionaries. Also included in the definition of textbook and therefore not subject to sales and use taxes are filmstrips, audio tapes and records, recorded music and periodicals used as part of a prescribed course of study. This statute however, does not exempt magazines and periodicals that are not used as part of a prescribed course of study. Most other purchases not specifically addressed are not exempt.

Most South Carolina businesses are aware that school district's are not exempt from payment of sales tax on purchases. However, some out of state businesses do not charge sales tax on items sold to the District. Therefore, districts are required to keep track of purchases where sales tax has not been paid to the vendor and file a Sales and Use Tax Return monthly to pay the state for sales tax on these purchases.

District personnel making purchases should make sure vendors are aware that the District is not exempt from South Carolina Sales and Use Tax.

The District Accounts Payable Clerk will track invoices that do not contain sales and use tax payments and file the monthly return (ST-388) making payment to the South Carolina Department of Revenue. These payments will be charged back to the accounts and departments that made the purchase.

Accounts Payable

CASH MANAGEMENT

All disbursements of District funds must be made in accordance with District procedures. We are accountable to the taxpayers who provide these funds, and we are also audited each year to ensure we follow established practices for making disbursements.

DIRECT PAYMENTS

Occasionally, cash payments are made to individuals that have contracted to perform certain services. These payments are taxable and an IRS *Form W-9* (see Appendix B) should be completed by individuals performing contracted services. Payment for these services must be made from the District Office. If these services are for Pupil Activity Fund services, the athletic director or principal should prepare a *Check Request Form* (see Appendix B) requesting payment to the individual for these contracted services. A detailed explanation of services performed should be on the *Check Request Form* along with which pupil activity fund to charge. Examples of these services are officials for athletic contests, etc. In addition, a certificate of liability insurance must be provided to the school district. If the contracted service provider cannot provide this document, then they will not be able to provide the service. Employees being paid for services must be paid from a salary account using payroll procedures.

REIMBURSEMENTS

No reimbursements will be made for invoices in excess of \$75.00. Any purchase in excess of \$75.00 must be purchased using a purchase order. This policy insures the District receives the best price on an item and also insures District funds are not committed without appropriate approval.

If an employee is willing to spend his/her own funds to obtain the goods, then a reimbursement can be made. Out of pocket purchases can be made for purchases of items with a cost of less than \$75.00. The receipt for the goods must be attached to a properly completed *Check Request Form* requesting reimbursement (the name and address of the person must be completed on the *Check Request Form*).

When requesting reimbursement for items purchased under \$75 the receipt must:

1. Be an original receipt.
2. Show the cost of each item purchased.
3. Show the total amount of the purchase.
4. Show the amount paid.
5. Show the name of the vendor.
6. Be approved by Principal/Department Head.

TRAVEL PROCEDURES

To be eligible for reimbursement, all travel for District employees must be:

1. Properly authorized
2. Actually incurred
3. Necessary for fulfilling the responsibility of the District
4. Conducted in the most economical manner for the District

Official travel by Lexington School District Four employees must be approved in advance. District travel will be reimbursed using the Reimbursement/Travel Form(see Appendix B).

1. IN-DISTRICT TRAVEL is defined as travel within the school district or the immediate vicinity. (No overnight travel is reported in this category.) Reimbursement will be made at the standard mileage rate for travel within the District to conduct official business. This includes required travel from one district building to another, travel to required meetings, and home visits. This does not include travel from your home to your place of work. In-District travel must be documented by the employee. The employee must record the date, the number of miles traveled, and the reason for the trip on the form. The form must be approved by the Principal/Department Head. Reimbursements must be submitted to the Accounts Payable Clerk. The period covered must be for one month only and begin with the 1st working day of the month and end with the last working day of the month.
2. TRAVEL TO PROFESSIONAL CONFERENCES/MEETINGS
NOTE: THE FOLLOWING APPLIES WHEN THE EXPENSES FOR THE CONFERENCE ARE TO BE COMPLETELY REIMBURSED BY DISTRICT FUNDS:
 - a. An *Out of District Travel Request and Reimbursement Form* must be submitted to the Principal/Department Head for approval. The request, either approving or denying, is returned to the employee requesting travel. The District Superintendent must approve all out of state travel. The *Out of District Travel Request and Reimbursement Form* must include an itemized list of the estimated cost of the trip.
 - b. Requests for payment of airline tickets, registration, and hotel deposits must be submitted on a properly approved *Check Request Form*. (Please allow adequate time to process the request, produce the check and mail it to the conference registration within the time frame required for registration.) Copies of completed registration forms, airline ticket information and hotel confirmations must be attached to the *Check Request Form*.

- c. If necessary a travel advance may be issued if requested approximately one week before the conference. The advance can be no more than 90% of the expenses not prepaid by the District. A travel advance will only be issued if the advance exceeds \$100.00. If the travel advance exceeded the actual expenditures, a check made payable to Abbeville County School District must accompany the *Out of District Travel Request and Reimbursement Form* which is completed once the employee returns. If a balance is due to the employee, a check will be mailed to them following the receipt of the completed *Out of District Travel Request and Reimbursement Form* in the Accounts Payable Office. If the form is not received within ten days, a letter will be sent to the employee's home address informing the employee that the advance amount will be reported to the IRS as wages. A form 1099 will be issued to the employee along with their W-2 form.
 - d. An *Out of District Travel Request and Reimbursement Form* must be completed upon returning from the conference and submitted to Accounts Payable with proper approval within ten days of the date of return.
 - i. Lodging: Original receipts showing the dates of the stay at the establishment and the amount charged per day, plus the tax, if any, must be submitted. (Credit card receipts are not acceptable documentation). The District will not pay for extra items added to the lodging bill such as phone calls, health facility fees, meals, movies, and other incidentals.
 - ii. Airfare: Original receipt (usually marked "passenger receipt" in ticketed booklet) must be submitted. (Credit card receipts are not acceptable documentation.) Air travel allowance is limited to coach fare.
 - iii. Meal Reimbursements: Meal reimbursements will be based on the number of days the employee is away from his/her normal workstation. Meals will not be reimbursed for one day travel. Employees should not claim reimbursement for meals outside of travel time. If meals are included in the conference registration fees, the amount for the meal must be deducted from the amount of the standard reimbursement for that day. Meal reimbursements will not exceed the daily per diem rates established by the District. Gratuities are included in the daily per diem rate.
 - iv. Registration fees: A receipt must be obtained and submitted with the *Out of District Travel Request and Reimbursement Form* if the employee pays for the registration with personal funds.
3. **PARTIAL PAYMENTS FOR TRAVEL** - Employees that are not going to be fully reimbursed for attending a conference are still required to submit all travel forms and proper documentation showing the costs incurred and the amount to be paid by the District. The Principal/Department Head responsible for authorizing and approving the travel must document on the *Out of District Travel Request and Reimbursement Form* the maximum limit that should be reimbursed to the employee.
 4. **ACCOUNTING CODES** - All *Out of District Travel Request and Reimbursement Form* should have the proper accounting charge codes identified prior to submitting the forms for approval.

PAYMENT SCHEDULE

1. Checks to vendors and employees are normally issued on Wednesday of each week.
2. Reimbursement requests and invoices must be received by the Accounts Payable Clerk by Tuesday morning to be included in Wednesday payments. Any requests or invoices received after that time will be held until the next payment date.

DUTIES OF ACCOUNTS PAYABLE CLERK

Receives and Process invoices from Principals/Department Heads. This includes:

1. Verification of Invoice date.
2. Verification that compliance with purchasing policy information is attached.
3. Verification that a Purchase Order was issued or proper approval was made for the purchase.
4. Verification of account number validity on Purchase Order or *Check Request Form*.
5. Verification that vendor is set up in CSI.
6. Enters invoices into Accounts Payable System in CSI. Calculates a batch total of all invoices and balances to the Batch Total Report from CSI. Invoice batches are approved by the Business Manager prior to printing checks.
7. Prints Accounts Payable checks, mails and distributes accordingly.
 - a. Blank Accounts payable check forms are kept in a secure location.
 - b. Accounts Payable ledger postings for check runs are filed in a binder in the Accounts Payable Office.
 - c. All check copies are filed with all supporting documentation alphabetically by vendor in the Accounts Payable Office.
 - d. The accounts payable bank account is reconciled monthly by the Business Manager.
8. Maintain and update the District's fixed asset system.

PAYROLL

All applications for employment are maintained in the Department of Human Resources. Principals/Department Heads will select candidates to interview from the database obtained from the Human Resources Office. After the interviewing process is complete, the Principal/Department Head selects the employee to be hired and completes a *Recommendation for Change of Employee Status* (see Appendix C) and forwards to Human Resources. After all the functions are complete (SLED check, board approval, etc.) the Department of Human Resources will enter the new hire data into the personnel module of CSI. New employees will not be added to the system by anyone in the Finance Office. New employees will sign up for Health Insurance Benefits, Tax Withholdings, and Retirement with the Human Resources Office.

The Payroll Office will maintain an employee file containing copies of information relative to changes in payroll information.

Initial changes in employee information should be changed with *Notice of Intent Forms* distributed by Human Resources. Any changes in an employee's information during the school year will be made with a *Recommendation for Change of Employee Status*. Principals/Department heads in cooperation with Human Resources will complete this form for all personnel changes relative to the employee:

1. Address changes
2. Name changes
3. School/Department
4. Telephone
5. Job Assignment
6. Contract days
7. Hours worked per day
8. Account number
9. Reassignment/Transfer
10. Termination
11. Retirement Effective Date
12. TERI Start Date
13. TERI End Date

A copy of the completed *Recommendation for Change of Employee Status Form* will be forwarded to the Finance Office from Human Resources.

Employees requesting changes to payroll deductions will contact the Human Resources Clerk. These changes will be made by the Human Resources Clerk upon receipt of a copy of the source document indicating the necessary changes. These changes will be updated in CSI and uploaded into the payroll module. The source document will then be filed in the employees payroll file. Some examples of such changes are:

1. Changes in withholding exemptions (W-4)
2. Changes in Deferred Compensation withholdings
3. State Health Insurance premium changes
4. Name changes for retirement

The Department of Human Resources is responsible for salary administration within the school district. Currently, salary schedules exist for classified employees, professional employees, and administrative employees. Employees who have incurred changes in their salary (i.e., number of contract days, assignments, etc) should be filed in the employee's payroll file. Employees not paid from an existing salary schedule will also be notified in writing, as soon as possible, each year of the amount of their salary for the ensuing fiscal year. This letter is generated by Human Resources and will be placed in the employee's personnel file and a copy sent to payroll. Changes in rates of pay during the fiscal year must be documented prior to the changes being made in payroll. In the case of upgraded certificates for employees, a form showing the new certificate status should be forwarded to payroll and the certificate filed in the employee's payroll file. All other changes in pay will be made by payroll after notification is received from the Office of Human Resources bearing the signature of the Superintendent and Human Resources Coordinator. The original document indicating the rate of pay will be filed in the employee's payroll file.

There are two payrolls each month:

1. **Regular payroll includes all certified and classified personnel.** Each school sends a payroll report to the Payroll Clerk and to Human Resources. The payroll report is due by the 10th of each month for the 25th pay date. If the 25th of the month should fall on Saturday, the pay date will be on Friday. If the 25th of the month should fall on Sunday, the pay date will be the following Monday. Exceptions to the pay date rule mentioned above may be Fall Break, Winter Break, Spring Break or the Last Day of School.
 - a. Schools/Departments will e-mail the payroll report to the Payroll Clerk and to Human Resources. A hard copy of this report must be approved by the Principal/ Department Head and signed by the preparer. The report will contain the following:
 1. Name of School/Department
 2. Current Payroll Date
 3. Name of employee to be paid
 4. Amount to be paid
 5. Account number
 6. Absence Information (Date and Reason Code)
 7. Substitute Name
 8. Date Sub worked
 9. Account Number for Sub
 10. Amount due to Sub

Human Resources will use the payroll report to record absences and substitute days worked into the payroll system.

- b. The Payroll Clerk enters the pay for each employee into CSI from the school payroll report. A pre-list by location is run and balanced with the school payroll report. After all the schools are balanced a pre-list for all locations is run and balanced with all payroll reports. This report shows total gross wages, net wages, and taxes. The payroll is now ready to be processed.
- c. Blank payroll checks and key to the check signer are kept in a secure location. Blank checks are issued to the Payroll Clerk by the Finance Director. A log of issued blank checks is maintained by the Finance Director. The log of issued checks includes date and beginning and ending check number for the current pay date. A log of voided checks is maintained with the issued check log. If the voided check is available, the signature block should be torn out or marked completely out and the word void written across the check in large letters. Available voided checks are maintained by the Payroll Clerk.
- d. The check register and total pre-list register is approved by the Finance Director and placed in a binder to be filed. After the checks are generated and signed they will be sorted accordingly and stored in a secure location until time for distribution. A register will accompany each location's checks. Only authorized persons designated by the Principal/Department Head will be allowed to pick up payroll checks. The Principal/Department Head should update their payroll pick-up authorization at the beginning of each school year. In the event that any other person other than those listed as authorized individuals the Principal/Department Head should notify the Payroll Clerk in writing (e-mail) prior to pick-up. Please note that checks will not be released until the hard copy of the payroll report that has been signed and dated by both the preparer and Principal/Department Head has been received.
- e. Direct deposit notifications are printed on special paper stock. A direct deposit report and transmission file is generated by the Payroll Clerk. This file is transmitted to Capital Bank three days prior to the payroll date. The Payroll Clerk will verify that each employee on the school's payroll report has a check or direct deposit notification.
- f. An Abbeville County Treasurer Claim will be prepared for the payroll check run two days prior to the pay date. The Claim will be signed by appropriate administration and approved and initialed by the Finance Director and taken to the Treasurer's Office to obtain a check for the current payroll. The Treasurer's check will then be deposited into the School Districts Payroll Bank Account.

2. School Bus and other Duties Payroll

The School Bus and other Duties Payroll includes overtime wages for classified personnel, bus driver, and bus monitor pay. The bus payroll is paid every three weeks. Bus Supervisors are responsible for maintaining each bus driver and monitors *Time Sheets* (Appendix C). The information from these time sheets will be transferred to the District's payroll report for school bus and other duties pay. A hard copy of these forms will be submitted to the Payroll Office based on a schedule that is prepared by the Payroll Clerk annually (see Appendix C). The payroll reports must be signed by the Bus Supervisor certifying that the information contained in the report is correct. If Bus Driver's are due pay for Field Trips, Athletic Events, etc., a copy of the bus permit must be submitted with their bus payroll spreadsheet. Individual time sheets will not be sent to the Payroll Office but will be filed by the Bus Supervisor at the individual locations.

Services rendered by District employees for other than their normal duties must be submitted on this payroll. If the payment is being made for services performed for Pupil Activity Funds (i.e. security, gate monitors, etc.), the Financial Accountant will invoice the school's Pupil Activity Funds for the gross amount of the check plus the employer's portion of fringe benefits. The Financial Accountant will prepare this invoice within ten working days after the last payroll for the month. This procedure is further explained in the Pupil Activities section of this document. Preparation of the payroll checks, signing of the checks and distribution of the checks will be the same as for the Regular Payroll.

RESPONSIBILITIES OF THE BUSINESS MANAGER

The Financial Accountant will:

1. Reconcile all bank accounts monthly.
2. Reconcile all asset and liability accounts on a quarterly basis.
3. Ensure that Pupil Activity functions are recorded on the District's General Ledger on a monthly basis.
4. Update and maintain the Accounts Payable vendor file. Work in coordination with the Accounts Payable Clerk to issue form 1099's.
5. Provide financial information and reports to the schools as needed.
6. Monitors and maintains budgetary control system for all Federal and State Grants.
7. Makes necessary journal entries to appropriately record expenditures.
8. Maintain the accounts receivable and cash receipts system for the District.

Cash Receipts

All cash receipts of the District are deposited into a master account with TD Bank. Federal and State Funds due to the District are sent directly to the South Carolina Local Investment Pool. The Business Manager utilizes the State Department of Education website to see what funds have been sent to the investment pool. The Business Manager records these funds in the District accounting records and the revenue is now available to be used for District expenses.

Journal Entry Corrections

Revenue and expenditure transactions are sometimes incorrectly recorded into the District's accounting system. An error can occur when a wrong account number is used for a purchase, check request, or receipt. An error can also occur from data entry or incorrect account information received from the schools, etc.

The purpose of this procedure is to ensure that all District revenue and expenditures are correctly recorded and reported in the proper account, fund, department, project/program, and fiscal year in which it was budgeted.

Requests for changes to the originally coded accounts must be submitted in writing to the Business Manager and bear the signature and date of the Principal/Department Head requesting the change.

The Business Manager:

1. Enters the journal entry into CSI and attaches supporting documentation to the posting report.
2. Provides a detailed explanation of the correcting transaction and posts journal entry.

FINANCIAL STATEMENTS



The Business Manager will prepare monthly and financial statements for the Board and Superintendent. A monthly revenue/expenditure report will be prepared for the operating budget and posted to the district website for transparency purposes. Revenue/Expenditure reports for other funds will be prepared quarterly and funds claimed quarterly.

FIDELITY BOND COVERAGE

The Board of Trustees of Lexington School District 4 requires fidelity bond coverage for all employees involved in the receipting, managing, recording or disbursing District finances. The minimum amount of the coverage is \$100,000 per employee. The Superintendent may at his/her discretion extend the coverage to any other District employees that may be considered in high risk areas.

ACCOUNTING FOR CAPITAL ASSETS (School Version)

Accurate fixed assets records are vital in providing values for insurance coverage and proper reporting in financial statements. Also, accurate records help to ensure that assets are properly safeguarded. Fixed asset records are facilitated by timely and accurately reporting acquisitions, disposals and transfers of fixed assets. The purpose of these procedures is to provide a strategy to ensure that the District maintains accurate, complete, and up-to-date records of fixed assets.

DEFINITION OF FIXED ASSETS

For purposes of the District accounting system, a fixed asset is defined as land, site improvements, buildings, building improvements, furniture, fixtures, equipment, vehicles and other items acquired by the District that are actively used in the operations, has significant value, and provides benefit for a period exceeding one year. Fixed assets are reported and, with certain exceptions, depreciated in the financial statements.

CAPITALIZATION POLICY

The District follows the capitalization guidelines presented in the table below.

	Tracking and Inventory	Capitalize and Depreciate
Land	\$1	Capitalize Only
Land Improvements	\$1	\$5,000
Buildings	\$1	\$5,000
Building Improvements	\$1	\$5,000
Construction in Progress	\$1	Capitalize Only
Machinery and Equipment	\$1,000	\$5,000
Vehicles	\$1,000	\$5,000
Infrastructure, if applicable	\$50,000	\$100,000

DEPRECIATION

All fixed assets, with the exception of land, will be depreciated. Depreciation is the process of allocating the cost of tangible property over a period, rather than deducting the cost as an expense in the year of acquisition. The decline in the value of fixed assets must be considered if the Districts' net assets are to be correctly stated. It shall be the policy of the District to depreciate qualifying fixed assets over their useful lives. There are five factors which must be known in order to calculate depreciation: the date the asset was placed in service, the asset's cost or acquisition value, salvage value, estimated useful life, and the depreciation method.

FIXED ASSETS AND INVENTORY PROCEDURES

It is ultimately the responsibility of each department head or principal of each location to maintain the accuracy of the fixed assets and equipment inventory within their department or school. The Finance Department is centrally responsible for monitoring the District's property records and to ensure compliance with policies and procedures. It is the school/department's responsibility to update the fixed asset inventory for any additions, transfers, or disposals of fixed assets by completing the necessary form (see Appendix D) and returning it to the Finance Department. This form should be completed for all fixed assets valued at \$5,000 or more purchased from all funding sources, including general fund, special revenue funds, food service fund, and student activity funds. After completion, the Addition/Disposal/Transfer form should be authorized by the director or principal before being sent to the Finance Department. The Finance Department will assign asset numbers for all equipment valued at \$5,000 or more.

ACCOUNTING FOR CAPITAL ASSETS

GASB Statement 34 requires that school districts issue district-wide financial statements using the economic resources measurement focus and accrual basis of accounting. In regard to capital assets, this requirement means that certain amounts reported in the fund financial statements will need to be restated for the district-wide statements. This restatement is necessary to adjust expenditures related to capital assets from the current financial resources measurement focus used in fund statements to the economic resources measurement focus used in the district-wide statements. In essence, the cost associated with the acquisition of capital assets will be replaced by the cost to use up the asset. The cost of usage, called depreciation, is reported in the current fiscal period in district-wide statements. This is contrasted with the cost of acquisition that is reported in the fund statements.

Statement 34 requires certain disclosures related to capital assets. Specifically, details by major classes should:

1. Present governmental activities separately from business-type activities.
2. Report capital assets that are depreciated separately from those that are not.
3. Report historical cost separately from accumulated depreciation. For each class the following information, if applicable, should be reported:
 - a. Beginning and End-of-Year Balances
 - b. Acquisitions
 - c. Sales or Other Dispositions
 - d. Current Depreciation Expense
 - i. Additionally, the amount of depreciation expense for each of the functions reported in the statement of activities must be disclosed.
4. A capital asset is reported and depreciated in district-wide statements. In the district-wide statements, assets that are not capitalized are expensed in the year of acquisition.

Capital Asset Inventory Procedures

The District should have an accurate and up-to-date inventory of all capital assets. Once capital assets have been acquired and properly recorded on the books of account, subsidiary records on each recorded asset should be set up with the following information:

1. sequence number
2. date of acquisition
3. item description
4. location
5. cost
6. fund
7. estimated useful life
8. depreciation method
9. salvage value

Periodic inventories should be taken by authorized personnel.

Capital assets include sites (land), site improvements, buildings, building improvements, furniture, fixtures and equipment, vehicles, and other items that meet criteria established by the School District. District personnel need to consider several criteria when deciding what assets to capitalize.

- 1) **Land** - Land is not a depreciable asset. It is recorded at historical cost and remains at that cost until disposal. If there is a gain or loss on the sale or disposal of land, it is reported as a special item in the statement of activities.
- 2) **Site Improvements** - Site improvements include items such as excavation, non-infrastructure utility installation, driveways, parking lots, flagpoles, retaining walls, fencing, outdoor lighting, and other non-building improvements intended to make the land ready for its intended purpose. Depreciation of site improvements is necessary if the improvement is exhaustible. Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciable.
- 3) **Buildings and Construction in Progress** - Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated. Usually projects consist of major components such as land, land improvements, building construction (including professional fees and permits), furniture, fixtures and equipment. The value of each component needs to be determined because different useful lives and salvage values may apply. Further, interest paid during construction of assets subsequent to Statement 34 is added to the construction cost. Construction in progress should not be depreciated. It should be reported with land and other non-depreciating assets at the district-wide level. Unspent debt proceeds from capital assets-related debt should be reported in the net assets section of the statement of net assets as "restricted for capital projects."
- 4) **Building Improvements** - Building improvements that extend the useful life should be capitalized. The District should therefore review maintenance projects carefully to determine if the expense should be capitalized as a building improvement or should be classified as a maintenance cost.
- 5) **Personal Property** - Assets such as vehicles, furniture and equipment that meet threshold levels set by the District should be identified and inventoried.
- 6) **Infrastructure**

Generally, the District will have few, if any, infrastructure assets. Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and that are normally stationary in nature. Examples include roads, bridges, tunnels, drainage systems, water systems, and dams. Infrastructure assets do not include buildings, drives, and parking lots or any of the other examples given above that are incidental to a school's property or access to the property. If a school district determines it has these assets, the District should refer to GASB publications for guidance.

Criteria for Classification as Capital Asset Estimated Useful Life

The first criterion is useful life. An asset must have an estimated useful life greater than one year (one reporting period) to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in one year or less should not be capitalized. Estimated useful life means the estimated number of months or years that an asset will be able to be used for the purpose for which it was purchased. In determining useful life, the District should consider the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands. Useful lives should be based on the District's own experience. The District has chosen to depreciate assets individually.

Estimated Useful Asset Lives

Asset	Description	Life
Land		Not depreciated
Site Improvements	Paving, parking lots, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	15-25
School Buildings		40-50
Portable Classrooms		15-25
HVAC Systems	Heating, ventilation, and air conditioning systems	20-25
Roofing	Roofing	15-20
Interior Construction		25-30
Carpet Replacement		5-8
Electrical/Plumbing		20-30
Sprinkler/Fire System	Fire suppression systems	20-25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	10-15
Machinery and Tools	Shop and maintenance equipment tools	15-20
Kitchen Equipment	Appliances, equipment	10-20
Custodial Equipment	Floor Scrubbers, vacuums, other	5
Science Equipment	Lab Equipment, scientific apparatus	8-10
Furniture and Acc.	Classroom and office furniture	5
Office Machines	Fax, printing, duplicating	5
Copiers		5
Communications Equip.	Mobile, portable radios	5
Computer Hardware	PC's servers, network hardware	5
Computer Software	Instructional and short-term	3-5
Computer Software	Administrative or long-term	5-10
Audio Visual	Projectors, cameras	5
Athletic Equipment	Gymnastics, football, weight machines	5-10
Musical Instruments	Pianos, string, brass, percussion	7-10
Library Books	Collections	5-7
Cars and Light Trucks		5
Grounds Equipment	Mowers, tractors, attachments	10-15
Telephone Equipment		8-10

Asset Cost

The second criterion for determining depreciable capital assets is cost. The District does not need to capitalize every asset with a useful life greater than one year without considering the cost factor to do so would be an unnecessary burden and would not materially affect financial results.

The District's threshold for capitalization based upon cost criteria is \$5,000 provided that such threshold ensures that 80% of the value of assets is reported. However, capitalization should not be tracking and inventory.

With the District's revenues ranging between \$10 million and 100 million the following capitalization and depreciation threshold should be followed:

Depreciation

In accounting terms, depreciation is the process of allocating the cost of tangible property over a period of time, rather than deducting the cost as an expense in the year of acquisition. Generally, at the end of the asset's life, the sum of the amounts charged for depreciation in each accounting period will equal its original cost less salvage value. The cost expiration of a District's assets must be recognized if the cost of providing services is to be realistically reported. Also, the decline in the value of those assets must be considered if the District's net asset's are to be stated correctly.

To be depreciated, a capital asset must:

1. Be in use in the District
2. Have an estimated useful life greater than one year
3. Be subject to wear, decay, or expiration
4. be fully installed and ready for use

	Tracking and Inventory	Capitalize and Depreciate
Land	\$1	Capitalize Only
Land Improvements	\$1	\$5,000
Buildings	\$1	\$5,000
Building Improvements	\$1	\$5,000
Construction in Progress	\$1	Capitalize Only
Machinery and Equipment	\$1,000	\$5,000
Vehicles	\$1 000	\$5,000
Infrastructure, if applicable	\$50,000	\$100,000

To calculate depreciation on a capital asset, the following five factors must be known.

1. the date the asset was placed in service
2. the asset's cost or acquisition value
3. the asset's salvage value
4. the asset's estimated useful life, and
5. the depreciation method

For general capital assets, depreciation is reported only on District-wide financial statements. Depreciation expense is reported on the Statement of Activities. Statement 34 requires that depreciation for assets specifically identified with specific functions is to be included in the direct expenses of those functions. Capital assets that serve essentially all functions, such as a high school, are reported on a separate line or reported as part of the general administration (or its counterpart) function. If depreciation is reported as a separate line item, the face of the statement must clearly indicate that this line item excludes depreciation expense charged to functions.

Capital assets and the associated accumulated depreciation are reported in the statement of net assets. Accumulated depreciation may be reported separately, or capital assets may be presented net of accumulated depreciation on the statement.

Statement 34 requires that the District expense an amount each year that represents the cost of the actual use of the capital asset.

Depreciable Cost

An asset's depreciable cost is the amount of the asset's value for which a District will claim depreciation. A percentage of this basis is deducted each year. The depreciable cost is often (but not always) the asset's cost or acquisition value. Under some depreciation methods, salvage value is considered in the determination of the depreciable cost.

One measure of an asset's depreciable cost is its purchase price. If something other than cash is used to pay for the asset, then the fair-market value of the non-cash payment or consideration determines the depreciable cost. A non-cash consideration often takes the form of an account payable or an obligation to pay. When the value of the consideration paid can't be determined, the asset's fair-market value determines its depreciable cost.

With few exceptions, an asset's depreciable cost should also include necessary costs incurred to place the asset in service. These costs will be capitalized, not expensed. Costs that should be capitalized include the invoice price plus incidental costs (insurance during transit, freight, capitalized interest, duties, title search, registration fees, and installation costs. Exceptions to this rule include interest expense associated with deferred payments and real estate taxes paid, if any, in the acquisition of property.

The salvage value of an asset is the value it is expected to have when it is no longer useful. In other words, the salvage value is the amount for which the asset could be sold at the end of its useful life.

Depreciation Methods

There are many different methods used to calculate depreciation; however, it is recommended that the District use the straight-line method since it is the simplest and most commonly used method for calculating depreciation and it can be used for any depreciable property. Under the straight-line method, the basis of the asset is written off evenly over the useful life of that asset. The total amount depreciated can never exceed the asset's historical cost less salvage value.

Pupil Activity Funds

Responsibility for School Activity Funds

The responsibility for safeguarding, accounting for, and managing the school activity funds rests solely with the principal. The duties which must be performed in providing proper management and security may be delegated to the degree desired by the principal; however, the responsibility and accountability remains with the principal.

The following sections specifically outline the duties which must be performed by the principal and/or others in order to achieve proper security and management of School Activity Funds.

Duties of the Principal:

(The following management practices are considered minimal.)

1. Be familiar with and enforce the provisions of this manual, board policies, and administrative rules and procedures.
2. Properly instruct the bookkeeper(s) as to duties to be performed, appropriate methods and procedures, as well as provide adequate supervision, guidance, and support in all related activities.
3. Obtain accurate and timely reports from the bookkeeper(s) covering the results of operations and status of pupil activity funds. Review and analyze, at least monthly, the status and operations of the school activity funds. The review process should involve the bookkeeper(s) and fund sponsors to the extent considered appropriate. The review should include, but is not limited to, areas such as:
 - a. Review deficit accounts and accounts that have been inactive or have had minimal activity to determine if they should be continued and to assure that plans are made for the elimination of deficits.
 - b. Assessing the liquid position (funds in checking plus funds in savings) considering reserve funds, if any, and anticipated cash flow (receipts versus disbursements) with the objectives of determining if checking account funds should be committed to savings.
 - c. Assessing the reasonableness of reported receipts and disbursements by account and in total to include comparison with prior periods.
 - d. Assessing the adequacy of and compliance with cash control provisions.
 - e. Verifying bank statement reconciliation.
 - f. Discussing periodically with staff and responsible students (treasurers or others involved in financial operations) the control requirements that include:
 - i. Proper budget planning
 - ii. Prior approval before committing school activity funds
 - iii. Need for receiving reports
 - iv. Ticket control
 - v. Proper control of funds collected through use of receipts and daily turnover to the bookkeeper(s)

4. Reviewing checks and other supporting documents to assure that purchases and expenditures are authorized and supported properly.
 - a. The principal should document this review by signing the document supporting a disbursement.
5. Advising teachers and/or sponsors that they will be held responsible for the payment of any charges, which may arise from commitments made in the name of the school without prior approval from the principal.
6. Assuring that adequate facility and physical controls are available and are used for protection of cash and other assets.
7. Monitoring the operation of revenue-predicting activities to avoid losses.
8. Monitoring implementation of approved audit recommendations and management decisions of the principal or higher authority.
9. Approving all annual school activity budgets, fund raising projects, and recommend changes as needed.

Duties of Assistant Principals/Directors:

1. Assume responsibilities and perform such duties concerning the activity funds of the school as delegated by the principal.
2. Become familiar with the provisions of this manual even if no duties have been delegated.

Duties of Fund Sponsors and Other School Personnel:

Fund sponsors, student representatives and other individuals with duties affecting student activity funds should become familiar with and assure compliance with the portions of these procedures, which are pertinent to their duties. All Pupil Activity Fund activities will be supervised and guided by a fund sponsor appointed by the school principal. Fund sponsors are responsible for the solvency of the fund account and the propriety of the school activity. The responsibilities of the fund sponsor include the following:

1. Approving and submitting an activity's annual balanced budget plan, including a summary report of each sponsored organization's activities for the year which should be turned in to the principal at the end of the school year. The principal prior to the activity must approve fund raising activities.
2. Reviewing the financial operations and position of the fund account monthly.
3. Submitting purchase request to the principal or his/her designee.
4. Assuring that the billings pertinent to the fund account are correct prior to final payment.
5. Assuring that the principal has on file copies of contract agreements, etc., which are applicable to obligations of the fund account.
6. Collecting and receipting properly any funds received and depositing such funds daily with the school's bookkeeper. (No funds should be held overnight by a sponsor.)

Duties of the Bookkeeper:

Under direct supervision of the principal, the bookkeeper will receive, receipt, deposit, account for, and disburse all funds flowing through the school activity fund accounts. Checks must be signed by the principal. The bookkeeper, under supervision of the principal, will comply with all pertinent provisions of this manual and perform the following duties:

1. Deposit all funds promptly and intact. (In no case will a school keep overnight \$100 or more in cash and/or checks.)
2. Maintain all required records on a current and accurate basis.
3. Submit all required reports promptly and accurately.
4. Keep the principal informed of all real or potential problems.
5. Perform such other duties as specified by the principal.

Purchases

1. All purchases must have prior approval from the Principal.
2. Local fund purchase orders should be issued for purchases bearing the signature of the requestor and Principal prior to purchase.
3. All invoices and supporting documentation should be attached to the purchase order and maintained for future reference.

Disbursements

1. Only pre-numbered checks will be used.
2. Under no circumstances will a Principal be allowed to write a check from the Pupil Activity Fund to reimburse any purchases made by him/her or to defray any portion of conference related expenses for himself without prior written approval from the Superintendent.
3. Under no circumstances will a check ever be written to "Cash."
4. Do not cash personal checks, travel checks, etc., or accept checks in excess of the amount owed the school.
5. All disbursement transactions will be made by check, no exceptions.
6. The Principal will authorize disbursements by affixing his/her signature on the face of the invoice, even if the sponsor signs the invoice. Teachers and/or sponsors should be advised that they would be held responsible for the payment of any charges, which may arise from commitments made in the name of the school without prior approval by the principal.
7. A check should only be written after proper documentation (original invoice) is obtained.
 - a. A *Pupil Activity Fund Request for Payment* (see Appendix E) is not a substitute for an invoice and will only be accepted as proper documentation if an invoice is unobtainable - which should be rare. In this case the payment request should include a detailed description of the expenditure.
8. Invoices or other supporting documents will be approved (stamped "Paid"), and have the check number and date noted. These documents should be filed by account or month paid for the activity year to support disbursements made. All accounts should be maintained to expedite a financial audit at any time for a period of five (5) years.
9. All checks issued by schools should contain dual signatures of both the Principal and bookkeeper.

10. Voided Checks - when a check has to be voided for any reason, the amount disbursed on the journal should be marked in brackets and the amount voided should be marked in brackets and listed under the disbursement column.

Receipt Writing Procedures

Writing a receipt serves to protect those who handle money as well as to provide security of the funds. Receipts provides for a more meaningful annual audit of school funds, which is required under accreditation standards for public schools in this state. Five dollars or more - write a receipt.

1. Only pre-numbered duplicate receipt books will be used by schools. A log will be provided and should be filled out and maintained accordingly.
2. Every precaution must be taken to assure that receipts are not lost or stolen. In the event this does occur, the bookkeeper must submit a letter to the principal (and a copy to the Director of Finance) stating the circumstances. The bookkeeper must then reconstruct a list of funds collected to that point in time.
3. Receipts will be issued for all funds received by the school.
4. All monies received in the school office will be promptly deposited to the school's checking account. Cash/checks in excess of \$100 should not be left in school overnight.
5. No part of the receipt should be filled in prior to the time that money is collected from an individual.
6. Receipts should always be written in ink.
7. Receipts are to be written to each individual who submits funds. The receipt should indicate what the receipt was for and the exact amount received.
 - a. The original (white) copy is to be given to the individual submitting funds.
 - b. The yellow copy remains attached in the receipt book and the receipt books are filed by teacher name.
8. All persons are responsible and totally liable for all funds that they receipt
 - a. A notation must be made for each receipt indicating the type of receipt (admissions, bookstore sales, pupil organization memberships, etc.) This must be done so that the school can properly report revenue to the District Office at the end of each month.
9. In the event an error is made on a receipt, the receipt should be voided and a new receipt issued.
 - a. When a receipt is voided, the original must remain in the book and the word "VOID" written across both the original and the duplicate.
 - b. If the original receipt has been removed; it must be securely replaced (stapled) in the receipt book over its corresponding duplicate.
10. The writing on the duplicate pages in the receipt book must not be destroyed or altered in any way.
11. All spaces on the receipt must be filled in and the amount indicated in both letters and numerals in appropriate spaces.

12. When a teacher's collections for the day have been made, he or she must perform the following steps:
 - a. A receipt must be written for all monies received.
 - b. All money should be counted and submitted to the bookkeeper on a daily basis. Complete the *Funds to be Deposited with Bookkeeper* (see Appendix E) form indicating the amount, purpose and the name of the individual from whom the money was received from.
 - c. Assure that the total amount collected and receipt totals match the total on the form. Sign and date the form and submit money and form to the bookkeeper.
 - d. Obtain a receipt from the bookkeeper that matches the total amount of monies submitted on the form.
 - e. Personal checks which are submitted for payment must be closely examined by the person(s) receiving finds. Teachers are to write the student's name, homeroom section, address and telephone number on the front of the check(s). In the event the check is returned, it will be easier to identify and collect.
13. The individual receiving the money (secretary, secretary/bookkeeper) will then perform the following:
 - a. Verify the money received matches the total on the form submitted while the teacher is present. Issue a properly completed receipt to the teacher. If monies collected were for multiple revenue categories the receipt to the teacher should indicate the amount submitted for each category.
 - b. Bookkeeper should properly record revenue received for the day in their activity records.
 - c. Total all receipts for the deposit and make sure they equal the amount of the bank deposit.
14. Checks Returned Due to Insufficient Funds.

Occasionally checks written by parents or students are returned to the schools because there are insufficient funds in these individual's bank accounts to cover the checks. Some banks will automatically send these through an account for a second time before returning them to the schools. The bookkeeper should contact the bank handling the account and become familiar with the procedure used.

 - a. If the bank used will not send the check through the account a second time the bookkeeper should contact the person who is named on the account/check and try to collect the insufficient funds and any related charges.
 - b. If sent through the account a second time and the funds are still insufficient the above procedure should be followed to collect the funds and related charges should be followed. If collection is unsuccessful, the school should contact the party by letter signed by the principal for collection of funds (see sample letter - Appendix E).
 - c. The insufficient check will be a reconciling item on bank reconciliation until funds have been collected. If the check remains uncollected for 6 months, the check should be written off and recorded as a negative disbursement on the ledger.

Procedures to Follow When Admission Is Charged

1. Consecutively numbered tickets must be utilized on all occasions when admission is charged.
2. The principal should obtain a sufficient quantity of consecutively numbered tickets, which should be stored in a safe place.

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3. Prior to the activity, the principal or his designee should meet with the sponsor of the activity, supply him or her with an ample quantity of tickets along with the record of ticket sales reflecting the beginning and ending ticket numbers available for sale.
 4. The principal or his designee should assign to at least one individual the job of selling tickets and a different individual to collect and tear tickets at the gate/entrance.
 5. As soon as all tickets are sold, all precautions should be taken to see that the money is secured, counted, and placed in the overnight depository in the appropriate bank.
 6. As soon as possible, the sponsor should submit the *Record of Ticket Sales Form* (see Appendix E) indicating the record of tickets sold to the school bookkeeper.
 7. The bookkeeper should reconcile this record to the revenue collected, collect all unused tickets and appropriately receipt and file the form by activity.
 8. The identical procedure utilized above should be followed for all athletic events; however, primary accountability, as well as performance of specified tasks, at the discretion of the principal, may be delegated to the athletic director.