

SCHOOL ADMINISTRATIVE UNIT 79

DI

FISCAL ACCOUNTING AND REPORTING

The District's accounting system will be in conformance with the New Hampshire Financial Accounting Handbook published by the State Department of Education. An adequate system of encumbrance accounting will be maintained.

The School Board shall receive financial reports and statements showing the financial condition of the School District. These statements/reports shall be prepared on a scheduled basis during the school year, two of which shall contain estimates to project cost for the full year including actual encumbered expenses. The School Board may ask for a statement or report at any time.

1st Reading: April 14, 2003
2nd Reading: May 12, 2003
Adopted: May 12, 2003
Reviewed: May 11, 2010

SCHOOL ADMINISTRATIVE UNIT 79

DI-R

FISCAL ACCOUNTING AND REPORTING

The following purposes must be satisfied by the accounting system:

1. Administrative Control: The financial records must be adequate to guide the making or deferring of purchases, the expanding or curtailing of programs and the controlling of expenses. Current data should be immediately available and in such form that periodic summaries may be readily made from the data.
2. Budget Preparation: The financial records must be adequate to serve as a guide to budget estimates of subsequent years, and to hold expenditures to the amounts appropriated. Accounts are to be kept for each item for which separate budget estimates must be made. An adequate code of expenditure accounts will be used.
3. Accounting for Stewardship: The financial records of the District must be adequate to show that those in charge have handled funds within the framework of law and in accordance with School Board policy.

The District's financial records will provide the following information:

1. For each account in the District's budget: the appropriation, appropriation transfers, expenditures, encumbrances and unencumbered balance.
2. For each purchase order: the name of vendor, description of the item involved, the amounts, the call for bids if required and an abstract of the bids received. Purchase orders set will be numbered and each shall be accounted for.
3. For each purchase: the purchase order information above, plus the record of receipt and condition of goods, the invoice and the record of payment.
4. For each income account: the budget estimate, the estimates as revised periodically, the receipts to date and the balance anticipated.
5. Offsetting revenues received under an abatement will be debited to the appropriate previously expended account.

See Policy: DI

1st Reading: April 14, 2003

2nd Reading: May 12, 2003

Adopted: May 12, 2003

FUND BALANCE

1. In accordance with the governmental accounting standard, GASB Statement No. 54, the School Board recognizes the following five categories of fund balance for financial reporting purposes:
 - a. Non-spendable Fund Balance – non-cash assets such as inventories or prepaid items.
 - b. Restricted Fund Balance – funds legally restricted for specific purposes, such as grant, food service and expendable trust funds.
 - c. Committed Fund Balance – amounts that can only be used for specific purposes pursuant to a formal vote of the School Board.
 - d. Assigned Fund Balance – amounts intended by the Board for specific purposes. The Board can choose to delegate this authority to the Superintendent of Business Administrator, depending on the situation. Items that would fall under this type of fund balance could be encumbrances.
 - e. Unassigned Fund Balance – residual spendable fund balance after subtracting all of the above amounts.
2. Committed Fund Balance. The School Board, as the government’s highest level of decision making authority, may commit fund balance by a formal vote prior to the government’s fiscal year end for that fiscal year. Future modification or rescission of committed funds must likewise be accomplished by a formal vote of the School Board prior to the fiscal year end.
3. Assigned Fund Balance. The School Board expressly delegates to the Superintendent, through the Business Administrator, the authority under this policy to assign funds for particular purposes.
4. Spending Prioritizations:
 - a. When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid for restricted funds.
 - b. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:
 - 1) Committed, 2) Assigned, and 3) Unassigned.
5. Deficit Fund Balance. At year end if any of the special revenue funds (ie. Food service, vocational education funds, etc.) has a deficit unassigned fund balance then the Superintendent is authorized to transfer funds from the general fund to cover the deficit, providing the general fund has money to do so.

**FUND BALANCE
(Con't)**

6. The Board will maintain a minimum unassigned general fund balance less encumbrances equal to one month's budgeted expenditures unless this is unfeasible due to circumstances beyond its control such as:
 - a. A substantial decrease in State funding;
 - b. An unanticipated fiscal necessity.The School Board will turn back any unassigned general fund balance at year end to offset the next fiscal year's tax rate for the Town.
7. In recognition of the advisability of an unassigned general fund balance greater than the above described minimum, any accumulation of unassigned general fund balance above the minimum balance shall not be spent without the formal authorization of the School Board.
8. Annual Review. Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.

Adopted: July 12, 2011

SCHOOL ADMINISTRATIVE UNIT 79

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FIXED ASSETS (Inventories)

To serve the functions of conversation and control, a running inventory of fixed assets with appraised values will be maintained by the Superintendent's office on the building and contents including (1) buildings and grounds equipment, (1) furniture, (3) administrative equipment, (4) educational equipment, (5) vehicles, and (6) textbooks and supplementary books.

The Superintendent will designate the person responsible for maintaining an inventory of equipment, materials and supplies in his/her shop, laboratory or classroom.

These inventories will be brought up-to-date as needed, but no less than once per fiscal year. Two copies of the inventory will be filed with the building administrator.

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SCHOOL ADMINISTRATIVE UNIT 79

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AUDITS

The books and accounts of the District shall be audited yearly. The audit to be performed will meet the basic audit procedures prescribed by CPA standards.

The School Board shall select the auditors after hearing the recommendation from the Superintendent of Schools. Such audit will be made in accordance with RSA 197:25.

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CAPITAL ASSET RECORDS POLICY

OVERVIEW

Capital assets are specific items of property that: (1) are tangible in nature; (2) have an estimated useful life longer than one year; and (3) have a significant cost. Records of these assets, their cost of acquisition and depreciation will be kept. Capital asset records will not be kept for individual assets whose cost is so small that the time and expense incurred in maintaining detailed accounting and inventory records for them is not justified even though they are tangible and long-lived.

The value of the capital assets of the Gilman School District (District) is substantial, and therefore maintaining a complete and accurate accounting of all capital assets that have significant value is important. Adequate accounting procedures and records for capital assets are necessary for property management and control. The stewardship responsibility involved in safeguarding such a large public investment is important to sound financial administration.

CAPITAL ASSET POLICY

The Business Administrator or designee shall inventory and record the material capital assets of the District as provided in the remaining sections of this Policy. As a minimum, it is the intention of this Policy to maintain records of capital assets in sufficient detail to allow the preparation of financial statements that conform to the requirements of the Governmental Accounting Standards Board Statement No. 34.

The Business Administrator is directed to issue such additional guidance to staff as may be required to implement this policy.

CAPITALIZATION POLICY

All items purchased that have a useful life of more than one year, are of a tangible nature and have a unit acquisition cost of \$5,000 per single item; \$5,000 in the aggregate for IT and related electronic equipment; \$5,000 in the aggregate for Musical Instruments, or more, not including trade-ins, shall be considered capital assets. In the event of a trade-in, the original cost less accumulated depreciation of the asset being traded will be added to the acquisition cost of the asset.

Items that have a unit cost of less than \$5,000 are not considered to be capital assets unless they form an integral and essential part of another piece of equipment or structure previously determined to be a capital asset, part of an aggregate as stated above or a part of a Capital Project.

A Capital Project is an undertaking that results in the acquisition of a discrete asset the cost of whose individual components may not meet the threshold of a capital asset. All acquisitions with a total cost of more than \$50,000 are Capital Projects and shall be recorded as capital assets.

CAPITAL ASSET RECORDS POLICY

Capital assets shall be reported at their acquisition or historical cost which includes the vendor's invoice cost, initial installation (excluding in-house labor), modifications, attachments, accessories or any other item necessary to make an asset usable and render it suitable for service. Capitalization cost also includes the costs of freight, site preparation, architect and engineering fees, etc.

The original cost basis of capital assets shall be adjusted (on a new asset line) to reflect additions and modifications that significantly enhance the usefulness or useful life of the asset. Repairs to an asset that restore significant function to the asset or significantly extends its useful life shall be added to its cost.

Any item donated that, if purchased, would exceed the capitalization threshold shall be recorded at the item's fair market value as of the date of donation plus any costs of receiving and installing the item.

Appendix A contains a capital asset procedural guide

CLASSIFICATION OF CAPITAL ASSETS:

Capital assets shall be categorized as follows:

- 1) Land and Infrastructure - significant items that are stationary and long lived but are not buildings, e.g. roads, water mains, bridges, etc.
- 2) Land Improvements
- 3) Buildings & Improvements
- 4) Leasehold improvements
- 5) Vehicles
- 6) Furniture, Equipment and Machinery
- 7) Construction In Progress
- 8) Easements
- 9) Art work or historical artifacts

INVENTORYING

The existence, location, and condition of all capital assets shall be verified by taking an annual inventory prior to the end of the fiscal year.

DEPRECIATION

An estimated useful life shall be established for each capital asset when it is acquired. Adjustments to useful life may be made when appropriate, such as when repairs or reconstruction significantly extends the usefulness of an asset. Appendix B contains a list of typical useful lives for various types of assets.

Annual depreciation expense will be calculated based on the designated useful life of each capital asset.

Land, infrastructure and site improvements of a permanent nature have an indefinite life and will not be depreciated.

Adopted: June 22, 2009
Revised: November 9, 2009

SCHOOL ADMINISTRATIVE UNIT #79

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FRAUD PREVENTION AND FISCAL MANAGEMENT

Authority

The Board expects all Board members, district employees, volunteers, consultants, vendors, contractors and other parties that maintain a relationship with the school district to act with integrity, due diligence, and in accordance with law in their duties involving the district's resources. The Board is entrusted with public funds, and no one connected with the district shall do anything to erode that trust.

Definitions

Fraud, financial improprieties, or irregularities include but are not limited to:

1. Forgery or unauthorized alteration of any document or account belonging to the district.
2. Forgery or unauthorized alteration of a check, bank draft, or any other financial document.
3. Misappropriation of funds, securities, supplies, or other assets.
4. Impropriety in handling money or reporting financial transactions.
5. Profiteering because of insider information of district information or activities.
6. Disclosure of confidential and/or proprietary information to outside parties.
7. Acceptance or seeking of anything of material value, other than items used in the normal course of advertising, from contractors, vendors, or persons providing services to the district.
8. Destruction, removal or inappropriate use of district records, furniture, fixtures or equipment.
9. Failure to provide financial records to authorized state or local entities.
10. Failure to cooperate fully with any financial auditors, investigators or law enforcement.
11. Other dishonest or fraudulent acts involving district monies or resources.

Delegation of responsibility:

The Business Administrator shall be responsible to develop and implement internal controls designed to prevent and detect fraud, financial impropriety, or fiscal irregularities within the district, subject to review and approval by the Board.

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**FRAUD PREVENTION AND FISCAL MANAGEMENT
(CON'T)**

The Business Administrator shall be responsible for maintaining a sound system of internal controls that is designed to identify potential risks, evaluate the nature and extent of those risks, and manage them effectively.

District administrators are responsible to be alert to an indication of fraud, financial impropriety, or irregularity within their areas of responsibility.

The Superintendent shall recommend to the Board for its approval completion of a forensic audit when it is deemed necessary and beneficial to the district.

The Superintendent shall ensure the appropriate authorities are notified, pursuant to state law, when cases of fraud, embezzlement or theft have been identified.

Guidelines

Reporting

An employee who suspects fraud, impropriety, or irregularity shall immediately report his/her suspicions to the Superintendent. If the report involves the Superintendent, the employee shall report his/her suspicions to the Board President. Employees who bring forth a legitimate concern or suspicion about a potential impropriety shall not be retaliated against. Those who do retaliate against such an employee shall be subject to disciplinary action.

Investigation

The Superintendent shall have primary responsibility for conducting necessary investigations of reported fraudulent activity.

Based on his/her judgment, the Superintendent shall coordinate investigative efforts with the district auditor, insurance agent, external agencies, and law enforcement officials, if applicable.

If the Superintendent is involved in the complaint, the Board President is authorized to initiate investigation of the complaint and coordinate the investigative efforts with individuals and agencies he/she deems appropriate.

Records shall be maintained for use in an investigation.

Individuals found to have altered or destroyed records shall be subject to disciplinary action. If an investigation substantiates the occurrence of a fraudulent activity, the Superintendent shall present a report to the Board and appropriate personnel.

SCHOOL ADMINISTRATIVE UNIT #79

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FRAUD PREVENTION AND FISCAL MANAGEMENT (CON'T)

The Board shall determine the final disposition of the matter, if a criminal complaint will be filed, and if the matter will be referred to the appropriate law enforcement and/or regulatory agency for independent investigation.

Confidentiality

The Superintendent shall investigate reports of fraudulent activity in a manner that protects the confidentiality of the individuals and facts. All employees involved in the investigation are required to maintain confidentiality regarding all information about the matter during the investigation. Results of an investigation shall not be disclosed to or discussed with anyone other than those individuals with a legitimate right to know, until the results are made public.

Prevention

In order to prevent fraud, the Board directs that a system of internal controls be followed that include but are not limited to the following:

- Segregation of Duties – Where possible, more than one (1) person will be involved in pieces of financial transactions. No one (1) person shall be responsible for an entire financial transaction.
- Payments – Payments shall be made only by checks. No cash transactions shall be permitted. Check signers shall be approved annually by the Board and will consist of persons not involved in the transaction. All checks shall have at least two (2) signatures.
- Bank Reconciliations – Bank statements and cancelled checks, shall be reconciled by individuals who are not authorized to sign checks, nor involved in check processing.
- Access to Checks – Physical and electronic access to school district checks and accounts shall be limited to those employees with designated business functions.
- Capital Assets – The business office shall maintain updated lists of district capital assets.
- Training – Administrators shall be responsible for ensuring that employees under their supervision receive training regarding fraud prevention.

New Policy: NHSBA, April 2009

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2nd Reading: November 9, 2009

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