

FINANCIAL OPERATION

Policy 3100 **(Regulation 3100)**

Financial Management

The Board will adopt a series of policies to provide direction regarding the School District's budget and financial affairs which reflect the educational philosophy of the District and provide a framework in which the District's administration can effectively operate.

The budget and finance processes will conform to all state and local requirements as set forth by the State constitution, State statutes, Department of Elementary and Secondary Education rules, and Board policies.

Good business necessitates keeping accurate, legal and understandable records of receipts and expenditures. It is also essential that procedures be followed which will help to insure that the budget adopted by the Board is effective in providing parameters for the fiscal affairs of the District.

The purpose of the District budget and financial policies will be to provide direction for a systematized procedure that maintains continuity from year to year and informs the public regarding the education and financial operations of the District.

Financial Management

Fraud Prevention

The District is committed to protecting the public funds with which it has been entrusted. Minimizing the losses to fraud and corruption is an essential part of ensuring that all of the District's resources are used for the purpose for which they are intended.

The public is entitled to expect the District to conduct its affairs with integrity, honesty and openness, and demand the highest standards of conduct from those working for it and with it.

Definition of Fraud and Corruption

Although there is no precise legal definition of fraud, the term is used to describe a multitude of offences, including deception, forgery, theft, misappropriation, collusion and false representation of material facts.

Corruption arises when a person receives any benefit which influences them and causes them to act differently when conducting District business.

The District's Response

Board policy requires that matters involving any financial irregularities are referred to the Superintendent for investigation. These matters are taken seriously and additional action, such as disciplinary proceedings and/or prosecution, will be taken where evidence of offences is found.

The Superintendent/designee will:

- ◆ Compile a report of findings for submission to the Board with a recommendation as to whether disciplinary action is appropriate.
- ◆ Where appropriate, coordinate with the police in order for them to consider taking criminal action.
- ◆ Advise departments on how to address procedural weaknesses identified during investigation.

The Investigation Process

The purpose of any investigation is to establish the facts in an equitable and objective manner.

The process will involve the use of authority or delegated powers to:

- ◆ screen allegations or information to gauge their credibility;
- ◆ secure all evidence;
- ◆ interview suspects;
- ◆ interview witnesses;
- ◆ take statements; and
- ◆ coordinate with departments or other agencies (including the police).

The Superintendent/designee will establish and record the basis of the concerns raised and establish what further actions are required. The Board will be informed of all reported disclosures and the actions being taken. In the case of disclosures on alleged fraud and corruption, the Chief Financial Officer will inform the District's external auditors.

Whenever possible, the individual raising the concern will be advised of the outcome of the investigation. If an individual is not satisfied with the response received and any subsequent action taken, they should put their concerns in writing to the Superintendent who will arrange any further investigation as he/she deems appropriate. The Superintendent will send a written response to the individual concerned.

Reporting Suspicions

If fraud or corruption is suspected, then the matter should be reported without delay. Employees should report suspicions to a supervisor at the outset and retain all evidence. However, if it is thought the supervisor might be involved or there may be a conflict of interest, the matter should be reported directly to a more senior administrator.

It is recognized that for some individuals, raising a concern under this procedure may be a difficult experience. All reported incidents will be investigated.

All reports will be dealt with in confidence, with staff being informed on a need to know basis only.

To ensure that this policy is adhered to, and to assure staff that the concern will be taken seriously, the District will:

- ◆ not allow the person raising the concern to be retaliated against for doing so;
- ◆ treat retaliation against whistle blowers as a serious matter leading to disciplinary action that may include dismissal;
- ◆ not attempt to conceal evidence of poor or unacceptable practice;

- ♦ take disciplinary action if an employee destroys or conceals evidence of poor or unacceptable practice or misconduct; and
- ♦ ensure confidentiality clauses in employment contracts do not restrict, forbid or penalize whistle blowing.

Overall Objectives

The District's overall objective is to identify and maintain good practices, address weaknesses in current processes and introduce improved systems for the management of those processes. The end result is that of minimizing the amount of fraud and corruption which may occur within the system and significantly reduce the opportunity for fraud or corruption to occur in the future.

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Policy 3110
(Regulation 3110)

Financial Management

Preparation of Budget

Each year the Superintendent of Schools is required to submit to the Board of Education for their consideration a detailed annual budget showing estimates of income and expenditures for the ensuing fiscal year. The Board may accept, reject, modify or request revisions of the budget, but will adopt a budget by June 30, according to statutory provisions.

By law the approved estimated expenditures for each fund cannot exceed the estimated revenues to be received plus the unencumbered beginning cash balance for the fund. After the beginning of the fiscal year, the Superintendent shall review with the Board the adopted budget in relationship to the beginning cash balances for each fund.

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Policy 3111

Financial Management

Fiscal Year

The fiscal year begins annually on the first day of July and ends on the thirtieth day of the following June.

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Policy 3112

Financial Management

Budget Implementation and Transfer

The annual budget governs the expenditures and obligation of all funds for the District. The Superintendent/designee will establish procedures for funds management and reporting.

No funds may be spent which are not authorized by the annual budget. If an unanticipated need arises, the Board may approve the Superintendent's recommendation to (1) appropriate an amount to cover a needed expenditure from unencumbered budget surplus from the proper fund, or (2) revise the budget to transfer funds from one account to another as permitted by state statutes and DESE regulations.

The Superintendent or Bookkeeper will prepare a monthly statement to account for each month's expenditures and the total spent to date for the fiscal year. The monthly statement will include all receipts and remaining balances for each fund account.

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Policy 3113

Financial Management

District Fund Accounts

The District will maintain the following funds for the accounting of District moneys: teachers' fund, incidental fund, capital projects fund and debt service fund. The treasurer of the District will open and maintain an account for each fund. These funds are denoted for state reporting purposes as: General Fund, Fund 1 – comprised of the Incidental; Fund 2 – the Special Revenue Fund, comprised of the Teachers' Fund; Fund 3 – The Debt Service Fund; and Fund 4 – the Capital Projects Fund.

All sums received from the county school fund and all sums derived from taxation for teachers' wages will be credited to the teachers' fund. All tuition fees, state moneys received under §162.975 and 163.031, and all other sums received from the state except as otherwise provided in this policy will be credited to the teachers' fund and incidental funds at the discretion of the Board. The portion of state aid received by the District pursuant to §163.031, which is included in the operating levy for school purposes, will be credited to the debt service or capital projects funds. Sums received from other Districts for transportation and sums received from taxation for incidental expenses will be credited to the incidental fund. All sums received from taxation or received from any other source for the erection of buildings, building additions, remodeling, or reconstruction, furnishing, for the payment of lease purchase obligations, for purchase of real estate, for sale of real estate or personal property, from insurance, from sale of bonds other than refunding bonds will be credited to the capital projects fund.

Sums received from taxation for the retirement of bonds and the payment of interest on bonds will be credited to the debt service fund. Receipts from delinquent taxes will be credited to individual funds on the same basis as receipts from current taxes. However, where such distribution of receipts from delinquent taxes would affect the previous years' obligations, distribution to the various funds will be based on the levies for the years in which the obligations were incurred. All refunds will be credited to the fund from which the original expenditure was made. Sums donated to the District will be credited to the fund from which it can be expended to meet the purpose of the donation. Sums received from any other source will be credited to the fund designated by the Board.

FINANCIAL OPERATION Policy 3114

Financial Management

GASB 54

This Policy establishes guidelines to be used during the preparation and execution of the annual budget to ensure that sufficient reserves are maintained for unanticipated expenditures or revenue shortfalls. The policy is based upon a long-term perspective with a commitment to keeping the District in a strong fiscal position that will allow it to better weather negative economic trends.

Background

Statement No. 54 of the Governmental Accounting Standards Board (GASB 54) establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances and clarifies definitions for governmental fund types.

GASB 54 establishes five fund balance categories: Nonspendable, Restricted, Committed, Assigned, and Unassigned.

Nonspendable Fund Balance consists of funds that cannot be spent due to their form (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact.

Restricted Fund Balance consists of funds that are mandated for a specific purpose by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance consists of funds that are set aside for a specific purpose by the District's highest level of decision-making authority. Formal action must be taken prior to the end of the fiscal year. The same formal action must be taken to remove or change the limitations placed on the funds.

Assigned Fund Balance consists of funds that are set aside with the intent to be used for a specific purpose by the District's highest level of decision making authority or a body or official that has been given the authority to assign funds. Assigned funds cannot cause a deficit in unassigned fund balance.

Unassigned Fund Balance consists of excess funds that have not been classified in the previous four categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls.

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Actions Leading to Restricted, Committed, and Assigned Fund Balances

The Board of Education has the authority to set aside funds for a specific purpose. Commitments are authorized by the Board based on fund placement in the original adopted and later revised budget, as well as by the Board resolution. The passage of a resolution must take place prior to June 30th of the applicable fiscal year. If the actual amount of the commitment is not available by June 30th, the

resolution must state the process of formula necessary to calculate the actual amount as soon as information is available.

Upon adoption of a budget where fund balance is used as a source to balance the budget, the Chief Financial Officer shall record the amount as Assigned Fund Balance.

The Board delegates the authority to assign amounts for specific purpose(s) to the Chief Financial Officer, Superintendent, or Business Manager.

Order of Spending

When both restricted and unrestricted funds are available for expenditure, restricted funds should be spent first unless legal requirements disallow it.

When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

Minimum Unrestricted Fund Balance

The Board recognizes that the maintenance of a fund balance is essential to provide for unforeseen expenses or emergencies and to provide working capital in the first several months of the fiscal year, until sufficient revenues are available to fund operations. By maintaining an appropriate fund balance, the District can avoid excessive short term borrowing and the concomitant interest expense, accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs, and demonstrate financial stability necessary to preserve or enhance its bond rating, thereby lowering debt issuance costs.

The undesignated fund balance in the operating funds will be maintained at a level sufficient to provide the resources required to meet operating cost needs, to allow for unforeseen needs of an emergency nature, and to permit orderly adjustment to changes resulting from fluctuations of revenue sources. The District will strive to maintain a minimum undesignated balance in its operating funds equal to a range of 12-20% of its prior year operating expenditures.

As part of the annual budget process, the Chief Financial Officer, Superintendent, or Business Manager will estimate the surplus or deficit for the current year and prepare a projection of the year-end undesignated fund balance. Such projection will include an analysis of trends in fund balance levels on an historical and future projection basis. Any anticipated balance in excess of the minimum undesignated general fund balance may be budgeted at the discretion of the Board. **Policy 3114 Page 3**
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Any such action must also provide for necessary appropriations to restore the undesignated general fund balance to the minimum balance.

If fund balances decline below the 12% floor, the Board will develop a plan to replenish the fund balance to the established minimum level within two years.

This policy will be reviewed by the Finance Committee every three years following adoption or sooner at the direction of the Board.

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Policy 3120

Financial Management

Petty Cash

As set forth in Regulation 3100, a petty cash checking account with a balance of \$2000 shall be kept by the Secretary of the Board for purposes of payment of obligations which must be paid prior to the next Board meeting. Additionally, a small amount of cash (\$100.00 or less) may be kept on hand in order to cover unanticipated small expenses, such as postage.

The petty cash fund must be used for school purposes and must be documented with receipts.

Petty cash should not be used as a short cut to obtain supplies except in an emergency or in cases where very small items make it impractical to order through channels.

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Policy 3130

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State and Federal Projects

With Board of Education approval, the School District may operate various specially funded programs that must be administered in accordance with particular federal and/or state laws, regulations and other conditions for use of such funds.

The Superintendent shall be the designated District official responsible for coordinating funded projects, administering programs and ensuring that the various departments operating these programs do so within the guidelines of the particular program. The administration shall keep accurate and separate records, as required by state and federal programs, to enable the District to verify program compliance and success. The Superintendent shall keep the Board fully informed.

Staff involvement will be solicited by the administration in the planning, implementation and evaluation of programs authorized and approved within the guidelines of Title I of the Improving American Schools Act of 1994 and/or other significant legislative enactments. The vehicle for such involvement shall be determined by the administration, with the approval of the Board of Education.

FINANCIAL OPERATION

Policy 3140
(Regulation 3140)
(Form 3140)

Financial Management

Banking Services

The Board of Education has the option of annually selecting District funds depositories or the Board may enter into a contract of one to five years duration for the deposit of District funds.

When depositories are to be selected, the District will receive sealed proposals from banking institutions in the county in which the District is located or in adjoining counties.

In order to open new bank accounts in the District's name, the Superintendent and the Treasurer must sign the account authorization. Wire transfers of funds into District accounts must be authorized in writing by the Superintendent and Treasurer or other individual authorized by the Board. In both instances, the Superintendent may appoint a designee to sign for creation of new accounts and for wire transfers. However, such appointment must be in writing.

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Policy 3150

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Payment Procedures

All money received by the District shall be disbursed only for the purposes for which they are levied, collected or received.

The Board will give final approval to all bills paid. Payment of bills shall be authorized by the Superintendent/designee, only after verification of delivery and satisfaction by the department or staff receiving the item(s). No payment for goods or services shall be made unless both an itemized invoice showing the name of the person or firm to whom payment is due is presented, and a receiving document bearing the signature of an authorized school employee is on file. Furthermore, the invoice must have been issued in response to an approved purchase order.

The Superintendent/designee shall audit all claims, and shall submit all invoices to the Board for approval and authorization for payment. However, payments for materials or services which are necessary for normal business operations which do not individually exceed \$500 or exceed an aggregate monthly amount of \$10,000 may be authorized by the Superintendent/designee. In addition, if cash discount or avoidance of financial penalty can be achieved, the Superintendent/designee is authorized to issue a check. In all such cases, the identity and amounts of such payments will be provided to the Board at the next regular meeting following payment. The Board will consider such payments and ratify the action taken.

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Policy 3160 **(Regulation 3160)**

Financial Management

Investment of District Funds

The Board has an obligation to the citizens of the District to direct the management of District funds. The primary objective of the District's investment plan will be legality, safety, liquidity, yield and the provision of a capital base for future needs. In the management of such funds, the District adheres to the "prudent investor" rule. Investments will be made with judgment and care, under the circumstances which persons of prudence, discretion and intelligence exercise in the management of their own investments. Funds will be managed for investment, not for speculation considering the safety of the funds invested and the probable income to be derived.

District personnel, including Board members, who are involved in the investment of District funds, will not engage in any personal business activity which could:

1. Impair their ability to make impartial decisions concerning investment of District funds;
2. Conflict with proper execution of the District's investment program; or
3. Create an appearance of impropriety.

District employees and directors involved in investment of District funds will disclose any material interests in financial institutions in which they conduct business. Such disclosure will include, but not be limited to any personal financial/investment positions that could be related to the performance of the District's investment portfolio. Similarly, District employees and directors involved in investment of District funds will not engage in personal investment transactions with the same individual with whom business is conducted on behalf of the District.

Investments will be made through banks or securities dealers who have been approved by the Investment Committee of the State Treasurer's Office. Such banks and securities dealers will have been subjected to an appropriate investigation by the staff of the State Treasurer's Office. This investigation will include, among other things, a written review of the firm's financial statements and the background of the sales representatives. All approved dealers must be fully licensed and registered NASD Brokers/Dealers or exempt banks. Criteria used to select securities dealers include:

1. Financial strength and capital adequacy of firm;
2. Services provided by firm;
3. Research service available;

4. Résumé, reputation, and qualifications of sales representatives;
5. Due diligence and firm references; and
6. State government expertise.

The performance goals of the District's active investment management program, over time, should produce book yields that are greater than yields from low risk passive investments. In analyzing the results of the District's investment program, the District will calculate the book yield and total rate of return on District funds compared to the appropriate security market indexes.

The Superintendent/designee will direct the preparation of quarterly investment reports providing a summary of the District's current investment portfolio and all transactions executed since the last report.

Such investment reports will be prepared by the appropriate bank(s) or security dealers for review by the Board and the Superintendent. Investment reports are considered to be public records and will be made accessible to the public.

Criteria and procedures implementing the District's investment policy have been approved by the Board and are contained in Regulation 3160.

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Policy 3170

Financial Management

Purchases By and/or Solicitation of School Staff

Conflict of Interest

The School District will not purchase supplies or materials from a staff member of the School District, nor from a member of the household of the staff member, except in emergency situations as determined by the Superintendent of Schools. Neither will the District purchase supplies, materials or services from a member of the Board of Education or from a member of his/her household, or from a firm in which he/she holds a major interest.

Endorsements

Employees of the District will not endorse products or services in such a manner that will identify the employee as an employee of the School District.

Procurement Activities

In any purchasing activities all employees shall refrain from soliciting, discourage the offer of, and decline gifts if offered by any vendor wishing to do business with, or who is doing business with the School District. Instead of making an offer of gifts, the vendor should be encouraged to discount the price of the goods to the school.

Solicitation/Distribution

The advertising of sale or distribution of any goods or service on school property, for any school activity, shall have prior approval from the building principal or Superintendent. This includes but is not limited to: school personnel, students, parents/guardians, relatives, general public and commercial businesses.

Solicitations of School Staff

Agents, solicitors, and salespersons will be denied the privilege of seeing the school staff during the school day except with permission of the administration.