

A SYSTEM FOR PUBLIC SCHOOL BUDGETING, ACCOUNTING, & REPORTING

Idaho Financial Accounting Reporting Management System (IFARMS)



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INTRODUCTION

The Idaho Financial Accounting Reporting Management System (IFARMS) is the result of work conducted by the Idaho Department of Education in cooperation with school personnel of the state. This IFARMS manual provides the basis for complete financial and cost accounting, for the development of program budgets, and for the preparation of comprehensive periodic financial reports. The uniformity of the system will enable small or large school districts to fulfill state requirements and give each district the flexibility to obtain program and account detail to meet their management needs. The accounting system and the coding structure can be used by either manual or automated data processing systems.

The Idaho Financial Accounting Reporting and Management System is designed to:

- Provide for a statewide uniformity in budgeting, accounting, and reporting
- Provide a system for each school district to demonstrate the prudent use of its resources
- Provide for more detailed accountability of educational programs
- Provide a means of compliance with state and national standards and with principles of governmental accounting

Portions of this manual are based on *Financial Accounting for Local and State School Systems, (1993)*, and *Governmental Accounting, Auditing, and Financial Reporting Standards*, also known as the Blue Book (2001).

The IFARMS manual has been updated for GASB Statement 34 “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.” In order to be in compliance with Generally Accepted Accounting Principles (GAAP), school districts will be required to implement GASB-Statement 34. Statement 34 was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

BUDGETING

The annual School Budget is a plan of financial operations developed for the purpose of achieving the goals and objectives of the school district or charter school. The school budget is a statement of the estimated revenues and the proposed expenditures developed for operating the various funds and school programs during the fiscal year. The budget is to be prepared, approved, and filed in the format prescribed by the Idaho State Superintendent of Public Instruction.

The board of trustees is responsible for the financing of the educational programs of the school district. This responsibility is derived from Title 33, Idaho Code. The board of trustees employs a superintendent of schools to serve as executive officer for the board with such powers and duties as directed by local school policy. The duties of the superintendent will include administrative and supervisory responsibility for the school budget.

Other school personnel, such as the clerk of the board, the chief fiscal officer, the school business manager, and the school accountant, may be delegated tasks to assist the superintendent of schools and the board of trustees to meet their responsibility for budget preparation. Staff members and individuals from the community may also be called upon to contribute during the planning process.

General budgeting principles, which contribute to understanding the tasks to be accomplished, include:

- **Budgeting is a means to an end.** A budget is a well-thought-out plan to accomplish program goals and objectives.
- **Budgeting is a cooperative activity.** The process should include the involvement of knowledgeable and interested persons.
- **Budgeting is a continuous process.** Each month of operation provides information for the next budget.
- **Budgeting is a system of rationing.** Available resources are scheduled to accomplish goals.
- **Budgeting is a means of setting priorities.** The needs of the district should be evaluated and met with available resources.
- **Budgeting should be flexible.** Demands and changes may arise after the budget is adopted and may need to be resolved.
- **Budgeting is comprehensive.** The plan should include the needs of all programs and funds available to the district.

- **A budget is economical.** The plan should show justification for the resources and limit the excess use of resources.
- **A budget is intelligible.** Goals and objectives need to be communicated to the public.
- **A budget is balanced.** The plan for expenditures should not exceed the planned source of revenues.

The tasks to be accomplished in producing a school budget may vary from district to district and will be dependent upon the depth of involvement the board of trustees may wish to commit to the process. The tasks to be accomplished may be grouped into three phases: budget preparation, budget presentation, and budget execution.

Budget Preparation

Preparing the annual school budget requires a commitment of time and effort by the individual or budget-planning group responsible for the development of the plan. The primary concern is that sufficient information is obtained about the demand for resources needed in the coming fiscal year. The budgetary needs of various funds (General Fund, Special Revenue Funds, Debt Service Funds, etc.) all require the attention of the budget planners so that adequate financial plans may be developed.

The involvement of individuals and agencies that can provide accurate information regarding past demands and resources and provide information on the future need for resources may include: school business office personnel, school staff (principal and teachers), county offices, community groups, and the Idaho Department of Education. Three general tasks for budget planning are the educational plan, the spending plan, and the financial plan.

The Educational Plan or the purpose for the budget should be understood by the board of trustees and anyone responsible for supervising the budget. A written statement identifying the purpose of each budget, including the objectives to be accomplished during the year, is beneficial to those responsible for communicating the needs of the budget. A written statement briefly describing the budget is not required to be filed with the official document but such statements should be on file in the administrative offices of the school district. Such statements provide direction for the district and the basis for evaluating the progress of the budget.

Estimating the expenditures necessary for the budget of each fund constitutes *The Spending Plan*. Information on the past needs and the actual costs of programs that were offered in prior years provides an excellent reference for projecting costs for new budgets. Comparing the previous year's budget information with the amount actually expended and reported in the

annual financial report enables the budget planner to identify programs which may need adjustment or review for the new budget. In addition to prior year costs, information about the anticipated need for resources (personnel, supplies, equipment, etc.) to conduct the programs of the budget should be solicited from supervisors, principals, teachers, and any other staff members who may provide sufficient projections to support the decisions needed in planning the new budget.

Estimates of revenues, which may become available from local, county, state, and federal sources constitute *The Financial Plan* for the annual budget. Projections of anticipated revenue should strive for accuracy and be developed in conjunction with the expenditure needs of each budget. Sources of information include the revenue history of the various funds and an understanding of the sources of revenue or support available from each level of government. The school superintendent, local school business officials, county clerks and assessors, state tax personnel, Idaho Department of Education personnel, and individuals knowledgeable about federal grants are logical resource persons to be used for obtaining detailed revenue information.

The board of trustees or its delegated budget supervisor should summarize all estimations of expenditures and revenue and develop a working draft of the new fiscal budget. This working draft provides a document for the board, the superintendent, and other budget planners to review and adjust. Tentative approval of the budget by the board of trustees for the new fiscal year should occur prior to the month of June.

Budget Presentation

The annual budget that has been developed and tentatively approved by the boards of trustees must be presented to the patrons of the school district at a public hearing. Section 33-801, Idaho Code:

“No later than twenty-eight (28) days prior to its annual meeting, the board of trustees of each school district shall have prepared a budget, in a form prescribed by the State Superintendent of Public Instruction, and shall have called and caused to be held a public hearing thereon...”

The control date, as indicated by the Code, is the date of the annual meeting. Idaho Code, Section 33-510 identifies the annual meeting as the date of the school board’s regularly scheduled meeting during July of each year.

Notification of the hearing shall be accomplished by posting a notice at three public places in the district no less than ten days prior to the scheduled meeting and publishing a notice of the

hearing at least once in a newspaper printed for general circulation in the county in which the district is located. The budget document provided by the Office of the State Superintendent of Public Instruction includes a summary statement, which may be used for meeting the publication requirements. A copy of the complete budget document shall be available for inspection at the public hearing and shall be on file at the district's administrative offices.

The public hearing is to be conducted by the board of trustees and the clerk of the board shall keep a record of the hearing. Prior to the final adoption of the budget, public comment regarding the budget should be considered for its merit by the board. The annual school budget may be formally adopted at the public hearing or it may be adopted at a regular or special meeting held no later than 14 days after the public hearing (Section 33-801, Idaho Code). One copy of the adopted budget, signed by the chairman of the board and the superintendent or charter school administrator, shall be filed with the Idaho Department of Education no later than 21 days after the budget is adopted.

Budget Execution

On or about July 1st, the adopted budgets should be recorded in the ledgers and accounts of the funds established to operate the school district for the fiscal year. The approved budget projections for revenues are to be entered in the revenue ledgers and the projection of expenditures are to be entered in their respective ledgers. A Beginning Trial Balance report should be taken to determine the accuracy of the posting and to compare with the adopted budgets.

To provide for prudent control and direction of the annual budgets, the budget supervisor should assign tasks to business office personnel for maintaining the various journals and/or accounts of the school funds. The budget supervisor should conduct periodic analysis of the various budgets and provide interim evaluations and reports to the superintendent of schools and the board of trustees. Interim reporting and budget analysis enable the board of trustees to control and maintain the integrity of the adopted budget. *Examples of interim financial reports are illustrated in the Appendix of this manual.*

Budget adjustments may become necessary after the adoption of the annual school budget. School trustees are required to review the district budget and to make appropriate adjustments (Idaho Code, Section 33-701-9). The Code is not specific as to when budget adjustments are to be made, except to say "periodically...to reflect the availability of funds and the requirements of the school district."

It is unlikely that budget forecasts will exactly meet the actual revenue and expenditure demands of the district operations. Factors, such as changes in enrollment, changes in curriculum, staff changes, unforeseen repairs, and others, demand flexibility. Since Idaho Code is not specific as to when changes are subject to the publication notice prescribed in Section 33-401, Idaho Code, use the following as a guide:

- Changes within a major function area such as Instruction shall not be subject to the provisions of Section 33-401, Idaho Code.
- Movement of appropriations between major function areas will be subjected to the provisions of Section 33-401, Idaho Code.
- An increase in the level of total appropriations because of an increase in revenue shall be subject to the provisions of Section 33-401, Idaho Code.

Budget adjustments approved by the board are to be recorded in the minutes of the school district and the budget changes are to be filed with the Idaho Department of Education.

GASB pronouncements do not change the budgeting process. However, the pronouncements did change budget reporting requirements for audited financial statements.

First, the budget to actual comparison may be shown as part of the financial statements or as Required Supplemental Information. The Idaho Department of Education recommends that the comparison be shown as Required Supplemental Information, if for no other reason to keep audit costs down (GASB 34 Paragraph 130)

Second, the budget to actual comparison must show both the original and the final budget. A variance column(s) is strongly encouraged and recommended by the Idaho Department of Education but not required by GASB. (GASB 34 Paragraph 130).

Third, if the budget is prepared on a basis other than Generally Accepted Accounting Principles (GAAP), a reconciliation must be prepared reconciling budget revenues and expenditures to those shown in the fund statements. (GASB 34 Paragraph 131)

School Budgeting Laws are primarily in Idaho Code Title 33, Chapter 8 – Budget and Tax Levy. Other related chapters include Chapter 4 – School Elections and Chapter 7 – Fiscal Affairs of School Districts.

PUBLIC CHARTER SCHOOLS

Charter Schools are authorized by Idaho Code Title 33, Chapter 52. Idaho Code 33-5204 states specifically that a charter school shall be organized and managed under the Idaho nonprofit corporation act. Further, the section states that “a charter school shall be considered a public school for all purposes and shall comply with the audit reporting requirements of section 33-701(6)”. Further, charter schools shall annually file financial and statistical reports as required in section 33-701(7). Finally, the section states that for the purposes of section 59-1302(15), Idaho Code, a charter school created pursuant to this chapter shall be deemed a government entity (section 59-1302 relates to the public employee’s retirement system).

Unfortunately, this has led to confusion to what accounting principles are to be used. Audit reports have been primarily been done using governmental principles rather than not-for-profit principles.

Although the Idaho Department of Education will not reject audited financial statements prepared using not-for-profit accounting principles, it is recommended that financial statements be prepared using governmental accounting principles. This will make the financial statements comparable to school districts and reduce the amount of additional information charter schools would need to prepare and send to the State Department.

As an added note, if the auditor of the charter school writes the financial statement opinion using governmental accounting principles, then in our opinion, the auditor should state that the governmental accounting principles are a prescribed basis of accounting.

ACCOUNTING PRINCIPLES AND STATEMENTS

This section describes the accounting principles that will be followed by Idaho school districts in order to have uniform standards and guidelines for financial accounting and reporting and to be in conformance with Generally Accepted Accounting Principles (GAAP). The accounting principles discussed herein are taken from the *Codification of Governmental Accounting & Financial Reporting Standards* published by the Governmental Accounting Standards Board (GASB). The standards embodied in the codification have evolved over a period of years, and include the pronouncements of the National Council on Governmental Accounting (NCGA).

The accounting/budgeting system is part of the fundamental requirements of Idaho Code Title 33, Chapter 7 relating to the fiscal affairs of school districts. This handbook was written with those statutory requirements in mind.

Accounting and Reporting Capabilities

The Idaho Financial Accounting Reporting Management System (IFARMS) makes it possible to:

- present fairly and with full disclosure the financial position and results of financial operations of the district as a whole, as well as the funds of the school district in conformity with generally accepted accounting principles, and...
- to determine and demonstrate compliance with finance-related legal and contractual provisions. Full disclosure as used herein means that there is accountability for all assets, liabilities, revenues, expenditures/expenses and fund balances.

Entity Wide Statements (GASB 34 Paragraphs 12-17)

GASB now requires entity wide (district wide) statements on a full accrual basis consisting of a Statement of Net Assets and a Statement of Activities (GASB 34 Paragraph 12). These statements include capital assets and long-term debt. This requirement is in addition to the Fund Statements. Further, a reconciliation is required so a reader can go from one statement to the other statement.

Note, most districts will not keep their books on an accrual basis, but at the end of the year prepare a worksheet with entries to adjust the books from modified accrual to full accrual. (See Appendix)

These entity wide statements are required for both Governmental funds and Proprietary funds. To ease the burden, the Idaho Department of Education recommends that district's use only governmental funds. For those district's that have proprietary funds (either an internal service fund or an enterprise fund), it is suggested such funds be reviewed for necessity. If deemed

necessary, the district should use the provision that allows minor proprietary funds be rolled into the district-wide governmental funds.

Statement of Net Assets

In essence, the Statement of Net Assets (GASB 34 – Paragraph 30) is a balance sheet – assets owned, liabilities owed and the balance (net assets). The primary decision to be made in regards to the Statement of Net Assets is whether the assets and liabilities are shown in a liquidity/maturity format or a classified format (GASB 34, Paragraph 31). The Idaho Department of Education recommends the classified format, which is consistent with ASBO. The liquidity/maturity format lists assets in order of ease converting to cash and liabilities in order of required payment. The classified format divides assets and liabilities between current and non-current with subtotals for both.

Net assets are the difference between assets and liabilities, i.e. what is left over. Net assets are divided into three components:

- Net Assets invested in capital assets, net of related debt (GASB 34, Paragraph 33)
- Restricted Net Assets (GASB 34, Paragraphs 34 and 35). Restricted net assets are to be reported when the following constraints are placed on net assets: 1) Externally imposed by creditors, grantors, contributors or laws or regulations of other governments or 2) Imposed by laws through constitutional provisions or enabling legislation.
- Unrestricted Net Assets (GASB 34, Paragraph 36). As stated in GASB 34, Paragraph 37, designations of net assets should not be reported on the face of the statement of net assets.

Statement of Activities

The Statement of Activities is as its name implies- a statement of revenues and expenses organized by function/program. The IFARMS manual contains a recommended list of function/program codes.

Revenues must be identified as either program revenues or general revenues (GASB 34, Paragraph 47). Program revenues are generated by the services themselves, e.g. charges for services, grants, and contributions. General revenues are those not generated by the services, or put another way, unrestricted revenue. Property taxes are almost always general revenue. Federal grants, however, are usually program revenues. The following are reported separately from, but in the same manner as, general revenues:

- Contributions to term and permanent endowments;

- Special and extraordinary items; and
- Transfers

The following gives an indication of how current revenue codes would be classified:

Code	Revenues	Type of Revenue			
		General Purpose	Program		
			Charges For Service	Operating Grants and Contributions	Capital Grants and Contributions
410000	Revenues from Local Sources				
411000	AD Valorem (property) Taxes	Always			
412000	AD Valorem (property) Taxes/other)	Always			
413000	Penalty & Interest Property Taxes	Always			
414000	Tuition	Infrequently	Almost Always		
415000	Earnings on Investment	Generally	Potentially	Potentially	Potentially
416000	Food Services		Always		
417000	Student Body Activities	Potentially	Generally		
418000	Community Activity	Potentially	Generally		
419100	Rentals		Generally		
419200	Contributions and Donations	Potentially		Generally	Potentially
419300	Transportation Fees	Potentially	Generally		
419900	Other local	Potentially	Potentially	Potentially	Potentially
420000	Revenue From Intermediate Sources				
429000	County – other	Potentially	Potentially	Potentially	Potentially
431100	Base School Support	Always			
431200	Transportation Support	Potentially		Generally	
431400	Exceptional Child	Potentially		Generally	
431500	Border Tuition Support	Potentially		Generally	
431600	Tuition Equivalency	Generally		Potentially	
431800	State Paid Benefits	Generally		Potentially	

431900	Other	Potentially	Potentially	Potentially	Potentially
432000	Restricted State Support				
432100	Driver Education			Always	
432400	Vocational Education			Generally	Potentially

Expenses are shown on the accrual basis, thus showing the full costs of the function/program. Put another way, direct expenses are shown with the function/program they relate to. The following explains how non-direct costs are to be treated.

- Indirect expenses may or may not be allocated. The Department recommends indirect costs not be allocated. (GASB 34, Paragraph 42)
- Depreciation expenses are allocated among the functions/programs and included within the expense amounts, to the extent the depreciation can be connected with capital assets specifically related to the functions/programs. The remaining unallocated depreciation can be shown separately or as part of the general government. The Idaho Department of Education recommends it be shown separately. (GASB 34, Paragraph 44)
- Interest expenses is almost always shown separately. (GASB 34, Paragraph 46)

Fund Accounting Systems

School district accounting systems should be organized and operated on a fund basis. A fund is defined as an accounting entity with a self-balancing set of accounts that includes all cash and other financial resources, together with all related liabilities and residual equities, which are segregated for the purpose of carrying on a specific activity. School districts establish funds because of legal restrictions, such as the Bond Interest and Redemption Fund, or by administrative decision, such as a Driver’s Education Fund.

The new GASB accounting principles still requires funds (GASB 34, Paragraph 63). In addition to the old Government funds – general, special revenue, capital projects, and debt reserves, GASB created a “Permanent” fund (GASB 34, Paragraph 65). Permanent funds should be used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs. In essence, this is the old non-expendable trust fund (sometimes called an endowment fund).

Fiduciary Funds changed slightly (GASB 34, Paragraphs 69-73). In the case of school districts, they will still have agency funds and a few will have what is called private-purpose trust funds. Private purpose trust funds are all trust arrangements (other than pension and investment)

under which principal and income benefits individuals, private organizations, or other governments. Student Activity funds would be an agency fund.

However, the focus of fund financial statements is on “major” funds (GASB 34, Paragraph 75). Major funds are based on the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10% of the corresponding total for all funds of that type; and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise/fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined. (GASB 34, Paragraph 76)

However, the general fund is always a major fund and government officials can designate a fund that does not meet the criteria to be a major fund because of public interest, consistency, etc. (GASB 34, Paragraph 76)

The Idaho Department of Education has designated the following as major funds:

- General
- Child Nutrition
- Debt Service
- Capital Projects

All other funds are non-major funds and are combined in one column. Non-major funds shall be shown individually in the combining statements included in the supplemental section of the audit report.

Account Groups

GASB 34 eliminated “Account Groups”. There is no longer a General Fixed Asset Account Group or a General Long-Term Debt Account Group. However, GASB did not eliminate the need to account for fixed (now called “capital”) assets or long-term debt. In fact, they probably made the need to account for such assets and liabilities more essential. No longer will a district be able to have an audit exception for the lack of capital assets records.

Accounting for Capital Assets (GASB 34 Paragraphs 18-29)

GASB now requires each district to capitalize and depreciate capital assets. (Capital assets related to a specific proprietary fund are still reported in that fund. However, the Idaho Department of Education has recommended that proprietary funds be combined with the governmental funds.) As such, school districts will have to value capital assets. Capital assets

are valued at cost, or if cost is not determinable at estimated cost. Donated assets are valued at market value at the time received. Those districts without records will have to do an inventory and place a value on capital assets. (One hint: those assets whose usable life has ended will not have to be valued as they would be full depreciated. Your CPA auditor should be able to help you come up with a value.)

To account for capital assets several steps must be taken:

- First – Determine capitalization limits. In other words, what will be capitalized versus being expensed.
- Second – Determine the life of the capital asset. In other words, how long will the asset last.

Typical capital assets will be classified into several classifications, such as:

- Buildings
- Land
- Betterments
- Equipment

The Department could, but has elected not to, mandate capitalization values and asset lives. However, the following schedule showing asset lives was taken from the Association of School Business Officials International’s GASB Statement 34 Implementation Recommendations for School Districts. ASBO encourages its use.

Asset Class	Examples	Est. Useful Life in Years
Land		N/A
Site Improvements	Paving, flagpoles, retaining walls, sidewalks, fencing, outdoor lighting	20
School Buildings		50
Portable Classrooms		25
HVAC Systems	Heating, ventilation, and air conditioning systems	20
Roofing		20
Interior Construction		25
Carpet Replacement		7
Electrical/Plumbing		30
Sprinkler/Fire System	Fire suppression systems	25
Outdoor Equipment	Playground, radio towers, fuel tanks, pumps	20

Machinery and Tools	Shop and maintenance equipment, tools	15
Kitchen Equipment	Appliances	15
Custodial Equipment	Floor scrubbers, vacuums, other	15
Science and Engineering	Lab equipment, scientific apparatus	10
Furniture and Accessories	Classroom and office furniture	20
Business Machines	Fax, duplicating and printing equipment	10
Copiers		5
Communications Equipment	Mobile, portable radios, non-computerized	10
Computer Hardware	PCs, printers, network hardware	5
Computer Software	Instructional, other short-term	5 to 10
Computer Software	Administrative or long-term	10 to 20
Audio Visual Equipment	Projectors, cameras (still & digital)	10
Athletic Equipment	Gymnastics, football, weight machines, wrestling mats	10
Musical Instruments	Pianos, string brass, percussion	10
Library Books	Collections	5 to 7
Licensed Vehicles	Buses, other on-road vehicles	8
Contractors Equipment	Major off-road vehicles, front-end loaders, large tractors, mobile air compressor	10
Grounds Equipment	Mowers, tractors, attachments	15

Further, ASBO recommends that school districts establish a capitalization threshold that insures at least 80% of the value of assets is reported.

For those districts needing an amount, the Department believes small districts should be from \$500 to \$2,500, medium districts from \$1,500 to \$5,000, large districts from \$4,000 to \$10,000, and very large districts from \$5,000 to \$20,000. Further, the Department reminds districts that the federal government uses \$5,000 for grant management purposes.

Finally, another place to look for asset life guidance is the State of Idaho’s Controller’s Office. Their fixed asset inventory system can be found at <http://www.sco.idaho.gov> and clicking on “Accounting” and then “Fiscal Policies” and then selecting “Property, Plant and Equipment”. Another decision that must be made is when to expense or capitalize repairs.

Infrastructure

GASB has made special rules for accounting for infrastructure. Most school districts will not have infrastructure as defined by GASB. Further, those districts having infrastructure should be

able to classify it into one of their capital asset classes. If this becomes an issue, the district should contact the Idaho Department of Education and their auditor.

Basis of Accounting (GASB 1600)

“Basis of Accounting”, i.e. cash, modified accrual, and accrual, refers to when revenues, expenditures, expenses, and transfers, as well as the related assets and liabilities are recognized in the accounts and reported in the financial statements. The following are definitions of the cash, accrual and the modified accrual basis of accounting and the funds that will be using each.

Cash basis is the method of accounting under which revenues are recorded when received and expenditures when expended. The cash basis of accounting generally is not appropriate for use by Idaho school districts.

Accrual Basis is the method of accounting which calls for recording revenue in the period in which it is earned and recording expenses in the period in which they are incurred without regard to the time of receipt or payment of cash. Proprietary funds (enterprise and internal service funds) and fiduciary funds (pension trust, investment trust, private purpose trust and agency) use the accrual basis of accounting.

Modified Accrual Basis is the method of accounting which adapts accrual accounting to funds that generally report only current assets and liabilities on their balance sheets. The funds which will be using modified accrual accounting are:

- General Fund
- Special Revenue Funds
- Permanent Funds (GASB 34, Paragraph 65)
- Debt Service Funds
- Capital Project Funds

Revenues under modified accrual accounting are recognized when it is both measurable and available. Available, as defined by the National Council on Governmental Accounting’s (NCGA) Interpretation 3 is when due, or past due and receivable within the current period and collected soon enough thereafter to be used to pay liabilities of the current period.

Expenditures under modified accrual accounting are recognized when a liability is incurred and when the cost of goods and services can be matched against the appropriation which authorized the purchase. The exceptions to this rule are as follows:

- Payment of interest on bonded debt is usually recognized in the year of payment.

- Inventory of consumable items may be considered expenditures either when purchased or when used. However, significant amounts of inventory should be reported on the balance sheet.
- Prepaid insurance and similar items need not be reported as assets.

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services that may be recorded for budgetary control purposes in the General and Special Revenue funds.

Encumbrance accounting and reporting may be summarized as follows:

- Encumbrance accounting may be used to the extent necessary to assure budgetary control, accountability, effective planning, and cash control.
- Outstanding encumbrances at year-end represent estimated amounts of expenditures and do not constitute expenditures or liabilities.

Appropriations lapse at year-end; therefore, if the school district intends to honor outstanding encumbrances, it should: (a) disclose the encumbrances at year-end, and (b) provide for adequate spending authority in the subsequent year's budget.

FINANCIAL ACCOUNTING PROCEDURES

In both manual and computerized accounting systems, implementing the prescribed IFARMS accounting principles will impact the school district's accounting procedures. Outlined in this section are examples of accounting practices that may arise in day-to-day situations.

Accounting System Data Flow

Accounting records are initiated by source documents. Source documents for school district records are generally items such as: purchase orders, checks, cash receipts, invoices, payroll records, tax levies, and others. Information from these source documents is entered into a book of original entry or journal, and the source documents are then filed for future reference. The journal entries are made daily or weekly and totaled monthly. An illustration of the data flow for the accounting systems appears in the Appendix of this manual.

The school district's books of original entry or journals can take many forms. Generally, journals are designed to accommodate a particular type of source document, e.g. a cash receipts journal. Some journals can also record more than one type of source document. These journals are known as combination journals. Columnar journals are often used to reduce the amount of monthly posting. When columnar journals are used, the amounts extracted from source documents are distributed to a specific column in the journal to summarize that type of financial activity. Journals are totaled monthly so that the summary totals can be posted to a ledger. Often, subsidiary ledgers are kept, with amounts from journals posted to these subsidiary ledgers.

School districts have several funds, and each fund requires its own general ledger and subsidiary ledgers. Interfund activity will necessitate accounting entries in the ledgers of the funds affected.

For example, when the General Fund for the benefit of another fund makes a payment of expenditure, the General Fund records the payment as an Interfund Receivable and the other fund records the expenditure and the Interfund Payable to the General Fund.

Capitalization of Capital Assets

Capitalization is the process of recording an expenditure to an asset account after it has met the school district's established criteria for defining capital assets. Although account groups have been eliminated, an inventory of fixed assets must be maintained. Unless computerized, this will involve another entry.

The amount that is recorded is the total cost of the asset, including all freight and set-up charges. If the asset is received as a gift, then fair market value should be established and used for recording purposes.

The school district should establish definitive criteria for capitalizing assets. The following general criteria may be used as a guide:

- Assets purchased using a specific capital outlay grant or fund must be capitalized.
- The estimated useful life of the asset should be greater than one year.
- The asset should retain its original appearance with use.
- It is generally more cost effective to repair rather than replace the asset.
- The cost of procedures to safeguard the asset should be less than the cost of replacing the asset.

The following accounting entries will serve to illustrate the recording of a purchase of capital assets:

In this example, four computers were purchased at a cost of \$20,000; one is to be used in the business operations program and three will be used in the elementary instruction program. The computers were paid for with General Funds.

GENERAL FUND

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
651550	Equip., Business Office	\$5,000	
512550	Equip., Elementary Instruction	15,000	
213000	Accounts Payable (to record computer purchase)		\$20,000

CAPITAL ASSET INVENTORY*

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
123100	Equip-Computers	\$20,000	
330100	Investment in Capital Assets (to record capital assets)		\$20,000

The forgoing entries show how an asset purchase is recorded in both the General Fund records and the Capital Asset Inventory. It is essential that the entry to the Capital Asset Inventory be made in order to keep the asset accounting system current.

*Although districts are free to design their own inventory system, it also shows how the capital asset inventory could be kept by using the method designed to maintain the no longer required General Fixed Asset Account Group.

The following entries illustrate how disposal of an asset is recorded:

GENERAL FUND

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
111100	Cash in bank	\$2,000	
453000	Revenue-Asset Sale (to record proceeds from sale of auto)		\$2,000

CAPITAL ASSET INVENTORY

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
328100	Investment in capital assets (General Fund)	\$4,000	
123100	Equipment – Auto (to remove auto from Capital Asset Inventory)		\$4,000

Recording of Salaries Payable, Modified Accrual Method

Contracts for teachers’ salaries are payable in twelve monthly installments beginning in September. At fiscal year-end, two months of salary expense remains to be paid under current contracts. In order to match that salary expense with the fiscal year in which it was earned, the expense and corresponding liability are posted to the accounts on June 30:

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
512100	Elementary Salary	\$383,635	
515100	Secondary Salary	\$395,624	
521100	Exceptional Salary	\$71,932	
524100	Gifted and Talented Salary	\$4,795	
621100	Instructional Impr. Salary	\$10,790	
622100	Educational Media Salary	\$20,381	
217100	Salaries Payable (To accrue the expense and to record the liability for the remaining two months of teachers’ salaries due under 2017- 2018 contracts)	\$887,157	

Recording Property Taxes, Modified Accrual Method

In determining what amount and when to record property taxes, the key factors are:

- Is the amount MEASURABLE? Can the dollar amount be ascertained?
- Is the amount AVAILABLE? Is it to be received within 60 days?
- Is the amount MATERIAL? Is it large enough to warrant accrual?

The following entries illustrate the accounting entries necessary to record the current levy when made, the anticipation of tax collection, and the actual receipt of cash.

GENERAL FUND

9/10/17

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
113100	Taxes Receivable	\$1,000,000	
221000	Deferred Revenue (to record full amount of current year levy)		\$1,000,000
221000	Deferred Revenue	\$640,000	
411000	Tax Revenue (to recognize amount of taxes expected to be collected by 1/31/09)		\$640,000
111000	Cash in Bank	\$640,000	
113100	Taxes Receivable (to record receipt of cash from tax collections for current year levy)		\$640,000

On June 30, the school district will need to determine the amount of uncollected taxes expected to be received by August 31 and make an entry similar to the 12/31/17 entry.

Interfund Receivable/Payables

School districts often use interfund advances and short-term loans between funds in order to maintain positive cash balances or to fulfill requirements of contracts or grant agreements. The proper accounting treatment of these advances is illustrated below:

Assume the General Fund was used to pay for library supplies that are part of the Title 1 grant program:

GENERAL FUND

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
114200	Due from Title I Fund	\$1,000	
111100	Cash in Bank (to record payment by General Fund for Title I Fund)		\$1,000

TITLE I FUND

622430	Library Books	\$1,000	
211200	Due to General Fund (to record payment for books made by General Fund)		\$1,000

When Title 1 Funds are received, the advance is paid back with a check written from the Title 1 Fund, the entry is as follows:

TITLE 1 FUND

211200	Due to General Fund	\$1,000	
1111000	Cash in Bank		\$1,000

GENERAL FUND

1111000	Cash in Bank	\$1,000	
1142000	Due from Title 1 Fund		\$1,000

Outstanding interfund receivable and payable accounts will appear on the respective fund balance sheets at the end of an accounting period. For purposes of reporting, current amounts due from and due to the same funds may be offset and the net amounts shown in the respective fund balance sheets.

Refunds

Refunds generally fall into two categories: (a) those of current year expenditures and (b) those of prior year expenditures. When a refund of a current year expenditure occurs, the amount should be returned to the budgetary account originally charged.

GENERAL FUND

3/10/18

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
111100	Cash	\$1,000	
512440	Elementary Program Supplies (to record return of book order)		\$1,000

The refund of a prior year expenditure presents a more complex accounting problem. Since the refund pertains to a prior period and the fund balance was reduced by an amount larger than it should have been through the closeout process, the refund should be accounted for as a correction of an error. Error corrections are covered by Financial Accounting Standard Number 16, which states that these adjustments must:

- Be material
- Be specifically identifiable with a prior period
- Not be subject to reasonable estimation prior to the end of the fiscal year in which the error occurs

If the refund meets these criteria, it should be recorded as an increase to the fund balance of the fund affected. (Revenue accounts are not affected by refunds).

GENERAL FUND

9/25/17

<u>CODE</u>	<u>DESCRIPTION</u>	<u>DR</u>	<u>CR</u>
111100	Cash	\$1,827	
312000	Fund Balance (to record refund of double payment of mechanic's bill for bus, June 2018)		\$1,827

Fund Balances

Fund balances of governmental funds may be classified either as reserved or unreserved. The unreserved portion may be further classified as designated or undesignated.

Reserved Fund Balances are established to identify:

- The existence of assets that, because of their nonmonetary nature or lack of liquidity, represent resources not available for current appropriation or expenditure. *Example: Reserve for Inventory.*

- A portion of the fund balance legally segregated for a specific future use. *Example: Reserve for Encumbrances.*

Unreserved Fund Balances exist where a portion of the Fund Balance has been reserved; the portion remaining after reservations is the Unreserved Fund Balance.

Designated Fund balance designations may be recorded as a demonstration of future expenditure intentions or restrictions. Such designations reflect tentative managerial plans and should be clearly distinguished from reserves. The tentative plan may never be legally authorized or may be changed; therefore, designations should be reported as part of unreserved Fund Balance, designated for..., or disclosed in the notes to the financial statements.

Undesignated Fund balance remaining (after reduction for reserved and designated balances) is identified as the unreserved and undesignated fund balance.

FINANCIAL REPORTING PROCEDURES

Reporting is the third component of the IFARMS management system. It is the process of communicating information concerning the financial position and the financial results of operations to the board of trustees and other interested parties. Financial statements are to be prepared from the accounts of funds operated by the school district. (Most districts will find it impracticable to produce full accrual school district – wide statements on a basis other than yearly. Thus, this section only discusses fund statements.) Monthly and annual reporting periods are most commonly used to present financial information, but local management may adopt reporting schedules which will present financial data on a quarterly or semiannual basis.

Monthly Reporting

The monthly financial reports are prepared primarily for the board of trustees and the school administrators who are responsible for the prudent control of school district resources. These reports will provide a source of information which may be of interest to other segments of the public and therefore, such reports may be made available for public reference. Each school district may determine the type and form of each monthly report. The IFARMS manual recommends that the following monthly reports be considered for use:

- Balance Sheet
- Statement of Revenues and Expenditures with Budget Comparison
- Schedule of Investments Held
- Monthly Bill Payment List
- Schedule of Taxes Receivable
- Cash Flow Schedule

Ideally, all funds should be reported on a monthly basis, but a minimum requirement should include the reporting of the General M & O Fund.

Annual Reports

Reporting financial information on an annual basis is controlled by regulations adopted by the State Board of Education and by Section 33-701 (5) of Idaho Code. As per regulation, each school district is required to submit to the Idaho Department of Education on or before October 31, an annual report. The content of this report should be based on the accounts of funds operated by the school district and reported on a fiscal year which shall include the dates July 1 through June 30.

The annual financial report should be prepared by the financial officer of the school district and the report is to be signed by the chairman of the board of trustees, the clerk, and the superintendent of schools. The financial information to be reported will include:

- Combined Balance Sheet – All Funds
- Combined Statement of Revenues, Expenditures, and Changes in Balances – All Funds
- Combining Balance Sheet – Special Revenue Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Special Revenue Funds
- Detail of Capital Assets
- Detail of Bond Issue Balance and Activity

The information required is on a fund format and does not include all data required in the annual audit report. However, such data should be the same or reconciled to the audit report.

Examples of these reports appear in the Appendix. The information supplied through these reports should provide an accurate representation of the financial operations of the school district for the completed fiscal year. The information becomes part of the Idaho Department of Education’s publication, *Financial Summaries – Idaho School Districts and Charter Schools*.

The annual Statement of Financial Condition may be prepared for publication by the financial officer of the school district or the statement may be a product of the independent audit required by Idaho Code 33-701 (5, 6). The IFARMS manual recommends the following reports be completed and submitted for publication within 120 days after the end of the fiscal year as required by Idaho Code:

- Combined Balance Sheet – All Funds
- Complete Statement of Revenues and Expenditures with Budget Comparison

Audit Report

The final financial report for the fiscal year is the full and complete audit report submitted in compliance with Idaho Code 33-701 (6). Specific requirements of the law include:

- An independent auditor shall be employed on a written contract
- All funds shall be audited, including student activity funds
- The audit shall be made in accordance with generally accepted auditing standards and procedures
- The completed audit report shall be accepted by the board of trustees

- Copies of the audit report shall be filed with the Idaho Department of Education and Legislative Services no later than November 10.

The purpose of the audit should be to determine whether:

- Financial operations are conducted properly.
- Financial statements are presented fairly.
- Compliance exists with laws and regulations affecting the expenditure of special revenue funds.
- Internal controls have been established to meet the objectives of federal, state, and local regulations.
- Accurate and reliable information is being provided to the public and government agencies.

It should be clear that the financial statements are the representations of the school district, not those of the auditor. In practice, the auditor may draft the statements and footnotes, type, and reproduce the statements, but the responsibility is still that of school district management.

The audit report will have both school district wide financial statements and fund statements. However, the focus of fund financial statements is on “major” funds. Major funds are based on the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of that individual fund are at least 10% of the corresponding total for all funds of that type and
- Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise funds one at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The general fund is always a major fund and government officials can designate a fund that does not meet the criteria to be a major fund because of public interest, consistency, etc.

The Idaho Department of Education has designated the following as major funds:

- General
- School Lunch
- Debt Service
- Capital Projects

Unless meeting the definition of a major fund, all other funds are non-major funds and combined in one column. The Idaho Department of Education requests that non-major funds be shown individually in combining statements.

Management Discussion and Analysis (MD&A)

The management's discussion and analysis (MD&A) is part of the required supplementary information (RSI); however, it precedes the financial statements. It should be based on currently known facts as of the date of the audit report and should:

- Provide a concise, unbiased, and easily readable description of the government's financial activities and
- Help users understand the relationship of the results reported in the governmental activities in the government wide financial statements and the results reported in the governmental funds financial statements (usually focused on the major funds).

The focus of the MD&A should be on the primary government. However, information on any discretely presented component units may be presented as well. GASB has stated that both the positive and negative aspects of the government's operations should be presented to inform the reader about whether the government is in better or worse financial condition than in the prior year. The focus should be on only significant or material items.

MD&A is restricted to the following topics, although there is no limit to the information that may be presented about these topics.

- **Information and discussion on the basic financial statements presented, their relationship to one another, and the significant differences in the information they provide.** The discussion should include the different methods of accounting used in the government wide and fund financial statements.
- **Condensed financial information comparing the current year and the prior year.** The analysis should include specific economic factors that contributed to the change. Charts and graphs may be used to supplement information in the condensed statements but should not be used in place of it.
- **Objective analysis of the governmental entity's financial condition as a whole.** Analysis of the government's overall financial position and results of operations should address both governmental and business-type activities separately.
- **An analysis of balances and transactions on a fund basis, addressing the reasons for significant changes in fund balances or fund net assets.** The analysis should also include

blank CD-ROMs, blank videotapes, and other supplies of relatively low unit costs, necessary for instruction and/or administration should be included in this category.

Criteria for Distinguishing Equipment from Supply Items

An item is distinguished as equipment if it meets all of the following conditions:

- 1) Item is expected to last more than one year
- 2) You would repair rather than replace
- 3) It is an independent unit rather than being incorporated into another unit item
- 4) The cost of tagging and inventory is a small percent of the item's cost
- 5) Cost exceeds your capital outlay threshold minimum dollar value

All other items would likely be declared a supply.

420* **SUPPLIES – TRANSPORTATION.** The amount expended for supplies such as gasoline, diesel fuel, oil, grease, repair parts, tires, and other consumable items used in the transportation programs. (Used with Programs 681, 682, and 683.)

430* **MEDIA – LIBRARY MATERIAL.** Expenditures for books, reference material, periodicals, magazines, and other supplies used in the Library-Media Program 622. This category includes the cost of materials to provide instruction or provide in-service through using films, tapes, cassettes, displays, and the binding and repair of Library-Media books. GASB Statement #34 requires school library books to be capitalized if their useful life exceeds one (1) year, and their cost exceeds your school's capitalization policy.

440* **TEXTBOOKS.** Expenditures for textbooks prescribed and available for general use, including reference books. This category includes the cost of workbooks, textbook binding or repairs, as well as textbooks which are purchased to be resold or rented.

450* **FOOD.** Expenditures for food used in the school food service program. Food used in instructional programs should be charged to expenditure object 410. (Used only with function 710).

460* **TECHNOLOGY ADMINISTRATIVE SOFTWARE, LICENSING FEES AND SUPPLIES.**
This category includes the purchase of licensing of software to support the operating system, as well as, application software, whether over the internet, on CD-ROM or diskette. Software expenditures include the purchase price as well as licensing fees, annual upgrades/maintenance fees for proprietary software and related software support costs required to run operating systems, language processors, database management, communication handlers, and other specialized software. Do not include the cost of “instructional” software here. Instructional software and related licensing fees should be recorded to expenditure object 470 or 556.

Do not record software/licensing fees incurred for purchases with useful lives that extend beyond a single reporting period. Such purchases should be recorded to the appropriate 500 object code.

470* **EDUCATIONAL SOFTWARE AND RELATED LICENSING FEES.** Record the expenditures associated with educational software; such as books and periodicals on videotapes, CD-ROMS, audio CD’s, videodisks and diskettes. Include all on-line course work, reference materials and educational services, such as Scholastic or Classroom Connect, to this object code. Also, record all software licensing fees and related costs incurred to acquire these materials in this category.

490* **OTHER SUPPLIES & MATERIALS.** Expenditures for supplies that cannot be classified above.

500 CAPITAL OBJECTS. Expenditures for acquiring capital assets, including land, existing buildings, and meeting the school district’s capitalization criteria that will be recorded as fixed assets or additions to fixed assets.

510* **LAND.** Expenditures for the purchase of land acquired by the school district which upon purchase may or may not include improvements for such items as roads, curbs, sewers, etc. Purchases of air rights, mineral rights, and the like are included here. Also included are special assessments against the school district for capital improvements such as streets, curbs, and drains. (Use only with Program 811.)

- 520* **LAND IMPROVEMENTS.** Expenditures for improvements to the physical site after its purchase. Such items could include surfacing, curbs, sewers, landscaping, etc. (Use only in Program 663, Program 665, or Program 811.)
- 530* **BUILDINGS.** Expenditures for acquiring existing buildings or for the additions to structures. Included are expenditures for installment or lease payments (except interest) that have a terminal date and result in the acquisition of buildings, except payments to public school housing authorities or similar agencies. The amount expended for structures or additions to structures for housing pupils, personnel, property or equipment whether purchased as existing buildings or constructed specifically for the district. (Use only in Program 663 or Program 811.)
- 540* **BUILDING COMPONENTS.** Expenditures for modifications or improvements to existing structures, such as improvements to heating and ventilating systems, new floors, student lockers, ceiling modifications, and storage. These building components do not require increased floor space. (Use only in Program 663, Program 664, Program 811.)
- 550* **EQUIPMENT.** Expenditures for the initial, additional, and replacement items of equipment, such as machinery, furniture and fixtures, and vehicles which are not used in the transportation of pupils to and from school.
- 555* **Technology Related Hardware.** Expenditures for technology-related equipment and technology infrastructure. These costs include those associated with the purchase of network equipment, servers, PCs, printers, other peripherals, and devices. Equipment that has a cost lower than the school district’s capitalization threshold should be coded to expenditure object 460.
- 556* **Technology Software.** Expenditures for purchased software used for educational or administrative purposes that exceed the capitalization threshold. Software costs that are below the school district’s capitalization threshold should be coded to expenditure object 460 or 470.
- 557* **Technology “Infrastructure”.** Expenditures for the purchase of technology infrastructure. The technology infrastructure is the relatively permanent system of cables and equipment within a building whose components are generally built into the walls, ceilings or closets. It should represent anything that is used to “move data around.” The network infrastructure supports the transfer,

exchange and manipulation of data and information. *Some examples include: servers, routers, bridges, network switches, telephone switches, network modems, cable modems, connectors, wall mounts wall jacks/plates and other items such as teleconference infrastructure (bridges).* Technology infrastructure expenditures do not meet the definition of infrastructure as defined by GASB Statement #34, and therefore, should be treated the same as all other fixed/capital assets for financial reporting purposes.

- 560* **VEHICLES – TRANSPORTATION.** Expenditures for vehicles used to transport persons or objects. *Examples are automobiles, buses, trucks, and vans.*
- 580* **DEPRECIATION.** The portion of the cost of a capital asset that is charged as an expense during a particular period. In accounting for depreciation, the cost of a capital asset, less any salvage value, is apportioned over the estimated service life of such an asset, and each period is charged with a portion of such cost. Through this process, the cost of the asset is ultimately charged off as an expense.
- 590* **OTHER CAPITAL OBJECTS.** Expenditures for all other equipment not classified elsewhere in the 500-object series.
- 600 **DEBT RETIREMENT.** The redemption of outstanding bonds and the payment of interest accumulating on such bond obligations of the school district, and other long-term obligations of the school district.
- 610* **REDEMPTION OF PRINCIPAL.** Expenditures to retire bonds (including current and advance refunds) and long-term loans. (Used only with functions 911 and 912.)
- 620* **INTEREST.** Expenditures for interest on bonds or notes. (Used only with functions 911 and 912.)
- 700 **INSURANCE AND JUDGEMENTS.** Amounts expended for all types of insurance coverage such as property, liability, and fidelity. Expenditures for any judgments against the district that are not covered by liability insurance shall also be included here.
- 710* **PROPERTY INSURANCE AND LIABILITY.** The amount expended to insure school district property against losses from destruction or theft. The amount expended to insure the school district against losses resulting from the actions of school

officials or employees. Coverage against losses resulting from circumstances which may be related to elected school officials or school employees.

720* **FIDELITY BONDING.** The amount expended for bonds guaranteeing the school district against losses arising from dishonest acts of employees and involving specified money, merchandise, or other property.

730* **JUDGMENTS.** Expenditures from current funds for all judgments (except as indicated below) against the school district that are not covered by liability insurance, but are of a type that might have been covered by insurance. Only amounts paid as the result of court decisions are recorded here. Judgments against the school district resulting from failure to pay bills or debt service are recorded under the appropriate expenditure accounts as though the bills or debt service had been paid when due.

800 **TRANSFERS OF FUNDS, CONTINGENCIES, AND OTHER ITEMS.** This object shall provide for the transfers of assets from one fund to another fund. This object does not represent an expenditure.

810* **TRANSFERS TO OTHER FUNDS.** Include all transactions conveying financial resources from one fund to another within the district.

850* **CONTINGENCY RESERVE.** This object is to be used only in conjunction with Program 950. The code 950850 may be used to account for a budgeting contingency reserve. School Board action is required to decrease the budgeted contingency and increase a program/object account.

860* **INVESTMENTS.**

861* **Losses From Investments.** Losses recognized from the sale of investments or from changes in the value of investments. Losses represent the excess of the cost or any other basis at the date of sale (or valuation) over sales value (or fair value).

For financial reporting purposes, the net of all realized and unrealized investment gains and losses should be reported as a single line in the financial statements; however, this account and the previous account may be used for internal tracking purposes.

862* **Realized Losses on Investments.** Losses recognized from the sale of investments. Losses represent the excess of the cost or any other basis at the

date of sale over sales value. For financial reporting purposes, the net of all realized and unrealized investment gains and losses should be reported as a single line in the financial statements; however, this account and the following account may be use for internal tracking purposes.

863* **Unrealized Losses on Investments.** Losses recognized from changes in value of investments. Losses represent the excess of the cost or any other basis at the date of valuation over fair value. For financial reporting purposes, the net of all realized and unrealized investment gains and losses should be reported as a single line in the financial statements; however, this account and the previous account may be used for internal tracking purposes.

880* **SPECIAL ITEMS.** Used to classify special items in accordance with GASB Statement 34. Included are transactions or events within the control of the school district administration that are either unusual in nature or infrequent in occurrence. For some districts, this may include termination benefits resulting from workforce reductions or costs in connection with an early retirement program offered to all employees represented in one or more classes of employees. Special items also include events that are not within the control of the district. In the governmental funds, these items should be separately captioned or disclosed.

890* **EXTRAORDINARY ITEMS** Used to classify items in accordance with APB Opinion No. 30 that are transactions or events that are both unusual in nature and infrequent in occurrence. For some districts, this includes significant costs related to a natural disaster caused by fire, flood, tornado, hurricane, or hail storm or costs related to an environmental disaster.

**Not a valid ISEE data option set, must re-code before uploading data file*

APPENDIX

Reconciling Fund Statements to Government-wide Statements. The following is a partial list of items that may have to be used to reconcile.

- Receipt of long-term debt proceeds.
- Capital outlays.
- Principle payments on long-term debt.
- Issuance costs related to long-term debt.
- Premiums and discounts related to long-term debt.
- Interest on debt.
- Inventories (consumption method).
- Prepaid items (consumption method).
- Unavailable revenues.
- Noncurrent portion of certain accrued liabilities.
- Capital leases.
- Allowance for doubtful accounts
- Deferrals and amortizations related to debt-refunding transactions in governmental activities.

The easiest way would be to prepare a worksheet. Districts having internal service funds and other business type activities will have additional reconciling items. Also, transactions and accruals between governmental funds will usually need to be eliminated.

Federal law prohibits discrimination on the basis of race, color, religion, sex, national origin, age, or handicap in any educational programs or activities receiving federal financial assistance. (Title VI and VII of the Civil Rights Act of 1964; Title IX of the Educational Amendments of 1972; and Section 504 of the Rehabilitation Act of 1973.)

It is the policy of the Idaho Department of Education not to discriminate in any educational programs or activities or in employment practices.

Inquiries regarding compliance with this nondiscriminatory policy may be directed to Ms. Sherri Ybarra, State Superintendent of Public Instruction, Len B. Jordan Office Building, Boise, Idaho 83720, (208) 332-6800, or to the Director of Office of Civil Rights, Department of Education, Washington, D.C.