

PAYABLES

Generally speaking, a payable is recorded to ensure that the expenditure is recorded in the year that the goods are delivered or services are rendered.

Interim grant reporting on the other hand may acknowledge obligations....which represent an item that has been ordered or someone has signed up for a future seminar. These transactions may obligate grant resources but do not meet the definition of a GAAP (generally accepted account principle) expenditure.

EXPENDITURE	XXXXX
ACCOUNTS PAYABLE (402)	XXXXX

A service is rendered or goods have been delivered.

ACCOUNTS PAYABLE (402)	XXXXX
CASH	XXXXX

A bill is paid. At yearend, the effect is that an expenditure may be recorded in the old year.....while the bill is paid in the new year.

Teacher's contracts represent a "payable" since services were rendered during the school year but some of those services will be paid in the subsequent year.

EXPENDITURE	XXXXX
CONTRACT PAYABLE (404)	XXXXX
PAYROLL DEDUCTIONS AND WITHHOLDINGS AND	
EMPLOYER MATCHING PAYABLE (450)	XXXXX

An accrual entry made at year end.

CONTRACTS PAYABLE (404)	XXXXX
PAYROLL DEDUCTIONS AND WITHHOLDINGS AND	
EMPLOYER MATCHING PAYABLE (450)	XXXXX
CASH	XXXXX

Payment of accrued salaries in July and August. NOTE: Health insurance is not an accruable amount since it is a benefit provided on a month to month basis.

If a construction project is underway during the summer, care must be taken to communicate with the contractor to get a clean cutoff at yearend.

EXPENDITURE	XXXXX	
CONSTRUCTION CONTRACTS PAYABLE (405)		XXXXX

An accrual entry based on a memo billing received from contractor for June services.

The above entry will also impact Fund 90 as follows:

CONSTRUCTION WORK IN PROGRESS (206)	XXXXX	
NET ASSETS INVESTED IN CAPITAL (706)		XXXXX

To update the CIP account for the yearend accrual.

The balance of Agency Fund clubs is a liability account called "Amounts Held for Others". The balance of Agency Funds is not a "fund balance" because the amount would essentially be owed back to the club if they ever decided to take their money out of the district's custody.

CASH	XXXXX	
AMOUNTS HELD FOR OTHERS (415)		XXXXX

Deposit of money received from a club.

AMOUNTS HELD FOR OTHERS (415)	XXXXX	
CASH		XXXXX

Payment of a bill presented by a club.

NOTE: GAAP does not report revenues and expenditures of Agency Funds.....however, the ins and outs by club are tracked to meet compliance with state law. A monthly report of Agency Fund activity must be reported to the governing board.

ANOTHER NOTE: Transactions between the regular district funds and Agency Funds should be recorded similar to an outside party. (revenue/expenditure relationship...not a transfer)

YET ANOTHER NOTE: Make sure that payables clear out in the initial part of the subsequent year. A journal entry may be necessary to clean the slate.

PROPERTY TAXES

When a property tax assessment is made, it is to finance the budget of a particular period, and the revenue produced from any property tax assessment should be recognized in the fiscal period for which it was levied, provided the “available” criteria are met. *Available* means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days.

When property taxes receivable are recognized, or when property taxes are collected in advance of the period for which they are levied, they should be recorded as deferred revenue and recognized as revenue in the period for which they are levied, subject to the “available” criterion. GASB Cod. P70

FULL ACCRUAL – Government-wide Statements – Entities should recognize revenues from property taxes in the period for which the taxes are levied.

FEBRUARY 1 ENTRIES:

TAXES RECEIVABLE – DELINQUENT (112)	XXXXX	
TAXES RECEIVABLE – CURRENT (110)		XXXXX

To move remaining balance of current levy to delinquent status.

TAXES RECEIVABLE – CURRENT (110)	XXXXX	
DEFERRED REVENUE (474)		XXXXX

To set up the levy for the new calendar year.

CASH		XXXXX
PROPERTY TAX REVENUE (1110)		XXXXX

Monthly remittance from the county.

DEFERRED REVENUE (474)	XXXXX	
TAXES RECEIVABLE – CURRENT (110)		XXXXX

Monthly adjustment to the receivable balance.

DEFERRED REVENUE (474)	XXXXX	
PROPERTY TAX REVENUE (1110)		XXXXX

Yearend accrual – availability – up to 60 days (materiality)

GOVERNMENT WIDE ENTRIES

DEFERRED REVENUE	XXXXX
UNRESTRICTED NET ASSETS (gen)	XXXXX
RESTRICTED NET ASSETS (co, sped, pen)	XXXXX

Make this entry in the amount of the beginning balance of governmental taxes receivable delinquent.

DEFERRED REVENUE (474)	XXXXX
UNRESTRICTED NET ASSETS (gen)	XXXXX
RESTRICTED NET ASSETS (co, sped, pen)	XXXXX

This entry is made for the change in balance of delinquent taxes receivable.

(balance increased in this example, reverse entry if decreased)

Long-term Liability

Governmental fund liabilities and expenditures for debt service on general long-term debt, including capital leases, generally should be recognized when due.

On the other hand, if debt service fund resources have been provided during the current year for payment of principal and interest due early in the following year, the expenditure and related liability may (this is optional) be recognized in the debt service fund. This option only applies when a debt service fund is used.

"Early in the following year" refers to a short time period—usually one to several days and not more than one month GASB 1500.111-.112

PREPAID EXPENDITURES

Prepaid expenditures are recorded as asset account 192. The fact that SDCL 13-18-3 requires that a check can only be written after the goods have been delivered or the services have been rendered.....will keep the amount of prepaid expenditures to a minimum. However, for some transactions such as rent, insurance, subscriptions and utilities it is normal, usual and customary to be paid in advance of receiving the service.

GASB 1600.127 states that expenditure for insurance and similar services extending over more than one accounting period need not be allocated between or among accounting periods, but may be accounted for as expenditures of the period of acquisition. Given that, the reporting of prepaid expenditures may be viewed as optional, but each entity should remain consistent in its approach.

An initial prepaid expenditure would be recorded as follows:

Prepaid Expenditure (192)	XXXXX
Cash	XXXXX

In the subsequent period, an expenditure may be recognized as follows:

Expenditure	XXXXX
Prepaid Expenditure (192)	XXXXX

Since governmental funds use the modified accrual basis of accounting, if a prepaid expenditure is recorded, then equity should report an equal offsetting Nonspendable Fund Balance – Prepaids (712).

Fund Balance – Unassigned (10-760)	XXXXX
Fund Balance Nonspendable – Prepaids (10-712)	XXXXX

CASH/INVESTMENTS

101 Cash – Your checking account

102 Petty Cash – money set aside on an imprest basis for the purpose of paying small obligations. SDCL 13-18-16

103 Cash Change – money set aside for the purpose of making change.....athletic ticket sales

104 Cash With Fiscal Agent – deposits with fiscal agents, such as commercial banks, typically for payment of bonds and interest. (special accounts for term bonds)

105 Interest Bearing Accounts.....MM

106 Savings Certificates

107 Restricted Cash - “when restrictions ...on asset use change the nature or normal understanding of the availability of the asset”.

- a. Bond reserves that are required to be maintained.
- b. Bond proceeds waiting to be spent on a project. 7.23.2

108 Advance Payments – to report your established balance of your Imprest

An entry such as the following may be used to adjust the balance of petty cash, cash change or the Imprest. Such changes are not an expenditure, but are instead considered “a change in the form of an asset”.

Debit 108 Advance Payments	XXXXX
Credit 101 Cash	XXXXX

To increase the balance of the Imprest per August 2011 minutes.

13-18-17. Incidental account. A school district may establish an incidental account in an amount determined by the board by setting aside on an imprest basis money from the general fund. Such incidental account shall be kept and used by the officer designated by the board for advanced payment or for claims requiring immediate payment, not to exceed an amount established by the board. A detailed account of the expenditures from the incidental account shall be presented at regular intervals not to exceed one month with verified vouchers, itemized and supported by receipted bills or other information as general evidence of payment, which shall be subject to audit. All expenditures from this account shall be listed with other bills in the regular school board proceedings.

INVENTORY OF SUPPLIES

The General Fund inventory of supplies may be accounted for under the purchases or consumption method. The G-W statements and the Food Service Fund statements must report an inventory of supplies/food under the consumption method.

The entries to account for supplies/food using the consumption method are as follows:

Expenditure

Cash

To purchase the supplies throughout the year.

1. Inventory of Supplies

2. Expenditure/expense

OR

Expenditure/expense

Inventory of Supplies

To adjust the expenditure account either up or down for the “change in” inventory so that it will only report an expenditure/expense for the supplies “consumed” during the year. The first entry indicates that inventories went UP during the year. The second entry indicates that inventories went DOWN during the year. This entry may be done periodically during the year as inventories are taken or it may just be done at the end of the year.

Under the modified accrual basis of accounting (used by the General Fund), fund balance should reflect available spendable resources. If a portion of the fund balance is tied up in inventory, than that portion should be recorded as “nonspendable” fund balance. The Fund Balance Nonspendable Inventory is adjusted for the “change in” inventory balance. The Fund Balance Nonspendable Inventory account should always equal the inventory of supplies asset account. This entry may be made periodically during the year as inventories are taken or it may just be done at the end of the year.

A positive impact of utilizing the consumption method of reporting inventories is that a changes in nonspendable inventory on the operating statement will not need to be reported.

Fund Balance Nonspendable –Inventory (711) XXXXX

Unassigned (760) XXXXX

To lower inventory reported for the “change in” balance.

-----OR-----

Unassigned (760) XXXXX

Fund Balance Nonspendable – Inventory (711) XXXXX

To increase inventory reported for the “change in” balance.

Entries necessary to record inventories utilizing the purchases method are as follows:

Expenditures XXXXX

Cash XXXXX

To record the purchase of inventory.

Fund Balance Nonspendable Inventory (711) XXXXX

Inventory of Supplies (170) XXXXX

To adjust for a decrease in inventory for the year.....or the following:

Inventory of Supplies (170) XXXXX

Fund Balance Nonspendable Inventory (711) XXXXX

To adjust for an increase in inventory for the year.

Note: Further, under the purchases method, a changes in nonspendable fund balance is also required to be reported on the operating statement.

Internal controls would suggest that one person (such as the custodian or head cook) would create the inventory listing at yearend and another person (such as someone from the business office) would spot check the counts of a representative portion of the inventory. The spot check efforts should be documented, initialed and retained for audit purposes.

Significant Inventory of Supplies must be reported on the financial statements. GASB 1600.127

NET ASSETS INVESTED IN CAPITAL (706)

This equity account is reported on the G-W statements and on the Food Service Fund statements. It is a hard number.....that needs to be recalculated at the end of each year by adding or subtracting certain amounts as follows:

ADD capital asset accounts such as land, buildings and equipment

ADD construction in progress

ADD intangible assets

DEDUCT the balance of accumulated depreciation

DEDUCT ONLY the outstanding balance of bonds and other borrowings that are attributable to the acquisition, construction or improvement of capital assets.

DO NOT include the unspent portion of debt proceeds which should instead be reported as net assets restricted for capital projects.

DO NOT include long-term liability balances that do not pertain to capital assets such as compensated absences, OPEB and early retirement.

ADD/DEDUCT unamortized amounts of premiums, discounts and deferred amounts from refundings; 7.23.3

DO NOT include unamortized debt issuance costs because they do not acquire, construct or improve capital assets.....report as unrestricted net assets. 7.23.3

DO report the account net assets invested in capital, net of related debt as a negative if that is what it comes out to be. 7.23.9

DO include as a deduction construction retainages payable when calculating the net assets invested in capital. 7.23.13

DO not include amounts held in debt service accounts waiting to be used to make future debt service payments. 7.24.2

The title "Net Assets Invested in Capital, Net of Related Debt" should be shortened if the entity has no debt.

FEDERAL COMPLIANCE REQUIREMENTS

The types of federal compliance requirements are as follows:

- A. Activities Allowed or Unallowed
- B. Allowable Costs/Cost Principles (A-87)
- C. Cash Management
- D. Davis-Bacon – [ww.wdol.gov/dba.aspx#0](http://www.wdol.gov/dba.aspx#0), Construction contracts > \$2,000
- E. Eligibility
- F. Equipment and Real Property Management - > \$5,000
- G. Matching, Level of Effort, Earmarking
- H. Period of Availability of Federal Funds
- I. Procurement, Suspension and Debarment – Excluded Parties List System, www.epls.gov contracts > \$25,000
- J. Program Income
- K. Real Property Acquisition/Relocation Assistance
- L. Reporting
- M. Subrecipient Monitoring
- N. Special Tests and Provisions

Grants steps:

1. Staff apprise finance of grants that have been awarded
2. Finance will secure grant award document and initiate a grant file
3. Finance will check the compliance supplement “matrix” for applicable compliance requirements
4. Finance will determine what controls will be effective to implement each applicable compliance requirement