

Policy Type: Financial Policy
Policy Title: Financial – Business Office
Effective: Spring 2024
Oversight Committee: Audit Committee



Program Accounting and Accounting Requirements

The school shall record transactions when they occur in the accounting system utilizing the following codes as established by the uniform Utah State Board of Education approved chart of accounts (COA):

- Fund
- Function
- Location
- Program
- Object or revenue code as applicable

The school shall follow state accounting standards and minimum requirements consistent with R277-113(5). Periodic reallocation of program expenses is allowable and required as state approved plans are adjusted and program implementation between related programs that share the same cost center may require. The school shall document all reallocations with the original source documents as well as updated documentation.

It is the responsibility of the Board to ensure expenditures are permitted and made within program rules, guidance and regulations, that proper approvals are obtained, and that compliance is monitored. The Board may delegate such authority to the school director or principal; however, responsibility for such compliance ultimately rests with the Board.

Any good or service booked to a restricted program (IDEA, Title, LAND Trust, etc.) shall be approved by a program-level supervisor or school-level administrator to ensure they are necessary, reasonable, and allowable (per program rules), for the restricted program. Only goods or services legally permitted in a restricted program shall be approved and allocated to the restricted program.

Measurability of Revenues

Lakeview Academy recognizes funds as measurable and recorded in the accounting records if the revenues are collected within ninety days of year end. A receivable may be recorded on the books if it is anticipated that the funds will be received within this timeline. In the event the funds are not received, an adjustment will be entered on the books before issuing the audited financial statements.

Journal Entries

In accordance with law, rules and applicable accounting standards, the school may from time to time need to adjust the books to reflect transactions as they actually occurred using journal entries. Each journal entry shall be:

- Substantiated by supporting documentation detailing the need for the change.
- Recorded in the accounting system.

- Reviewed and approved by both the business administrator and the director or Board Treasurer.

Frequent use of journal entries may indicate recordkeeping or other deficiencies. The business office is encouraged by the Board to properly enter and correct transactions at the transactional level to avoid unnecessary or frequent journal entries.

Record Keeping

To provide an accurate record of all financial transactions (a good audit trail), the school's books, records, and accounts are maintained in conformity with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) standards as expressly required by state law or administrative rules applicable to charter schools. Audited financial statements certified by an independent auditor will be prepared annually. Further, the school specifically requires that:

- No funds or accounts may be established or maintained at the school or at any financial institution without authorization and for purposes that are not fully and accurately described within the books and records of the school.
- Receipts and disbursements must be adequately described and reflected in the school's books and records to accurately record the transaction detail.
- No false, embellished or fictitious entries may be made on the books or records nor any false or misleading reports issued.
- School accounts, books and records shall from time to time be adjusted, in accordance with GAAP and GASB standards, to reflect actual results when the need for adjustment is identified.
- School records shall be maintained at or under control of the school and may not be kept at personal residences, unless authorized by the Board.

Net Assets

Net assets are recorded in accordance with GAAP applicable to special purpose governmental units. Net assets include the following:

- Unrestricted assets.
- Restricted assets.
- Investment in Capital Assets, net of related debt.

Consistency in Cost Accounting

Practices used by the school in estimating costs in grant/contract proposals are consistent with its accounting practices used in accumulating and reporting costs. Accounting practices used by the school in accumulating and reporting actual costs are consistent with its practices used in estimating costs in its grant and contract proposals.

Financial Statement Reporting

As required by USBE administrative rule R277-113, the LEA shall ensure the LEA Board is provided fiscal reports on a monthly basis, regardless of the occurrence of an official Board meeting. The business administrator is required to provide reports to the Board or audit committee as delegated by the Board on the following schedule.

Monthly

- Internally generated interim income statement, including Board approved budget vs. actual data.
- Interim balance sheet.
- A transaction register may be submitted to the audit committee only, as determined by the Board.
- Reconciliation of all bank, purchasing or credit cards, and other loan or investment accounts, may be submitted to the audit committee only, as determined by the Board.

Quarterly

- Program level reporting, including prior year(s) restricted program fund balances, year to date revenue and expenses in comparison to approved program budgets for all individual restricted programs.

Annually

- Financial statements for audit, with supporting statements as needed.
- Annual budget(s).

Capitalization of Property

All tangible school property, land, capital improvements or buildings with a useful life beyond a single annual reporting period and a unit acquisition cost that exceeds the Board-authorized capitalization threshold of \$5,000 are recorded and capitalized on the property schedule. The asset capitalized cost includes actual costs, tax, shipping/handling, and other expenses incurred to bring the asset ready for its intended use.

Assets that are purchased as a group that have an individual unit cost that is less than the capitalization threshold, yet are collectively significant (\$10,000 or more), shall be capitalized in compliance with GASB guidelines. Group asset purchases that might require capitalization could include but is not limited to: computers, classroom furniture and library books.

Additionally, these policies apply to capital assets:

- All capitalized assets will be depreciated using the straight-line method of depreciation in accordance with such asset's useful life and governmental & financial accounting standards.
- The depreciation expense will be recorded in the year end statement of revenues, expenses, and changes in net assets.
- The school shall maintain records of all federal and state government-furnished capital assets (where required), including those in restricted programs, with proper program identification and segregation of property and equipment acquired through government contracts, funds or programs. For restricted programs, ensure these assets are only used for allowable purposes per program regulations and dispose of these assets in a manner consistent with program rules (there are limitations on asset disposal in certain federal programs).
- Procedures for asset disposal must comply with state or federal law or regulation where appropriate.
- No item on the property schedule shall be disposed of or removed from the premises without prior approval of the director.
- All Assets shall be disposed consistent with applicable regulations, including any regulations applicable to restricted funds with which they were purchased, according to state or federal regulations.

Liabilities

Encumbrances, debt or other non-payroll-related liabilities may only be executed (typically by the director) when authorized by the Board. Encumbrances, debt, liabilities or other obligations are recognized and measured in conformity with GAAP and GASB standards in both the modified and full accrual basis of accounting. Liabilities also include certain other deferred amounts that are not obligated, but are recognized and measured in conformity with GAAP and GASB standards.

Accrued Liabilities

Salaries (earned wages), certain employee benefits and payroll tax liabilities, together with professional fees, rent, and insurance costs incurred, but unpaid, are reflected as a liability when entitlement to payment occurs. The accrued wages of any teacher (or other employee) whose salary is paid over a period different than during which work was performed (teachers earning wages/working 9 months but being paid for those earnings over 12 months) shall be properly accounted for at the time the wages are earned and reflected on the school's balance sheet. Employees whose employment is terminated (either voluntarily or involuntarily) prior to the end of a school year will be paid all accrued wages either on the next regular pay period subsequent to termination or as per an agreement with said employee.

Debt

Short-term debt consists of financing expected to be paid within one year of the date of the annual audited financial statements and shall not be recorded as a liability on the balance sheet. Long-term debt consists of financing that is not expected to be repaid within one year and shall be recorded as a liability on the balance sheet. All short-term and long-term debt must be approved by the Board. Loan agreements approved by the Board shall be in writing and specify all applicable terms, including the purpose of the loan, the interest rate, and the repayment schedule. School administration may not enter into loan agreements without Board approval.

Security of Financial Records

To minimize unauthorized access to school data, the school's accounting software will be maintained properly to ensure adequate internal controls and security measures are established/functioning. (e.g. encryption where appropriate, user maintenance, secure password protection, etc.). To ensure adequate segregation of duties and to maintain the integrity of financial data, only the business office will have administrative rights (Edit access) to the financial accounting software. The business administrator shall provide the minimum level of access to the accounting software required to perform the duties of individual roles within the school (typically Read Only). To maintain the integrity of fiscal data and proper internal controls, the Board and the director may be authorized to have Read-Only access to non-sensitive data in the accounting software (as allowed by the software).

The system's accounting data shall be backed up periodically to ensure the recoverability of financial information in case of disaster or other failure. The backup file(s) must be properly secured and stored in a separate location, or in a fireproof safe (if on-site). All other financial data, petty cash box(es), check stock, etc. must be secured from unauthorized access.

The school's physical fiscal records shall be maintained in an organized system ordered by period (month/fiscal year, etc.), numerically or alphabetically as appropriate. Any fiscal record(s) shall be produced upon request (within a reasonable time frame) for active authorized individuals (chair, treasurer, director). Fiscal records shall be retained on site or at the Utah State Archives according to established retention schedules.

Accounts Payable

Only valid transactions based on approved, documented vendor invoices, receiving reports, or other approved documentation are recorded as accounts payable. All disbursements, including accounts payable must be made consistent with Cash Disbursement Procedures. Vendors and suppliers are paid as their payment terms require (and which the school agrees), taking advantage of any discounts offered. If cash flow problems exist, payments are made on a greatest dependency/greatest need basis, considering critical disbursements, including payroll and tax obligations, etc. Payroll (wages earned by employees) and all tax liabilities (including payroll) must always be paid. The director shall not allow liquidity levels to be such that payroll and tax liabilities and obligations cannot be made—the director must act before liquidity levels fall to extreme levels and must ensure liquidity is sufficient for wages earned and related taxes to be paid.

The Board reserves the right at its sole discretion to amend or change these policies at any time.

Signature of Board Officer

Signature of Board Officer

Title

Title

Print Name

Print Name