

# ***GORENZ DISTRICT NEWSLINE***

**A newsletter of audit significance from Gorenz and Associates, Ltd., Peoria, IL**

December 2017

## **The Balance Sheet – Does anyone look at it anymore?**

Districts tend to emphasize review of receipts and disbursements throughout the school year and agonize results compared to budget. This is board oversight 101 and tells how well the bottom line is conforming to the budget outline. In many districts, there is also a Treasurer's report that is reviewed and approved on a monthly basis.

Keep in mind, the treasurer's report is typically not prepared using a dual entry software system. There may be no accounting software involved. The treasurer may not be tying it back to the district's records at all. The treasurer's report may be accurate and your balance sheet (produced on your software) may be wrong.

The only items on the cash basis balance sheet should be cash in bank, investments, and fund balance, right? But is that right? Has anyone printed out the balance sheet and presented it to the board? Are all of the cash accounts included – petty cash, imprest accounts, regular checking, payroll accounts, change funds, investment accounts, etc.? Can all of those balances be reconciled? How many separate bank accounts are necessary and are they reported separately on the balance sheet?

What else is showing up on the district's balance sheet? Are there undeposited payroll withholdings under the liability section? Should there be? Do we report advance collections of cobra health insurance from retirees in the proper accounts? Are approved interfund loans actually booked – they are not part of receipts/expenditures?

Print out your monthly balance sheet and check it for accuracy/completeness. Provide a copy to your treasurer and to the board. We audit the balance sheet and income statement produced by your software. The Treasurer's report is a subsidiary report and not the official audited records of the district.

## **Teachers' Retirement System – Federal Contribution Rate Adjustment – FY 2018**

Please be advised that the Employer Teachers' Retirement System (TRS) contribution on federally funded salaries has been adjusted due to enactment of Public Act 100-0340. The Teachers' Retirement System was required to recertify the appropriation amount to TRS from the State of Illinois for fiscal year 2018. The employer TRS contributions on salaries paid from federal funds for the 2017-18 school year has changed from 44.61 percent to 10.10 percent. This change is retroactive to July 1, 2017.

The contribution rate change can be found at [www.trsil.org](http://www.trsil.org) under the [Contribution Rates and Earnings Limitations](#) link.

For more information, please contact TRS at (877) 927-5877 or visit its website at [www.trsil.org](http://www.trsil.org).

## **Get Prepared for FY19 Required Reporting**

The Every Student Succeeds Act (ESSA) requires all LEA's to report per-pupil expenditure data at the district level and at the school building level, disaggregated by source of funds, beginning with school year 2018-19 data. What this means to the average district will be the expansion of expense account numbers to not only identify the source of funds, but also the school building that is benefitting from the expenditure.

## **Sale of Scrap**

The sale of scrap produced from District assets should be deposited back into District funds (Revenue Acct. 1999 – Miscellaneous Income), please do NOT offset expenses. The sale of scrap produced from activity funds should be deposited back into the related activity.

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## **New State Grant Reporting Requirements**

Under the Grant Accountability Transparency Act, grants administered by the State of Illinois will be subject to periodic performance reporting along with regular fiscal reporting. Most grant recipients will be required to report quarterly. Exempted programs include Evidence-Based Funding, Mandated Categoricals, and Driver's Education.

## **The Role of the School District Treasurer**

The Treasurer is an important part of the district's internal control system. As an appointed position, some districts have the superintendent or business manager serve as district treasurer while other districts select an independent, non-employee to fill the role.

Responsibilities vary between districts. One obvious function of the district treasurer is to sign checks. This task has succumbed to digital advances whereby checks are now printed with the treasurer's name/signature. In most cases, the Treasurer's oversight on the use of his/her signature is no longer a viable control feature. Some districts use a signature stamp to apply the treasurer's authorization. This may or may not provide an additional safeguard depending on who controls the stamp.

Does your Treasurer make investment decisions? Although investment returns have dwindled, the board still has fiduciary responsibility to invest idle cash balances. Is your Treasurer actively involved to assist with this task in accordance with your investment policy? Is your Treasurer the only authorized individual with the ability to transfer funds to/from investments?

We believe the monthly bank reconciliation process is the primary responsibility of the district bookkeeper. The Treasurer's role in this function is secondary but provides valuable oversight. Bank statements should go directly to the Treasurer (preferably printed with check images). District software can provide cash receipts and cash disbursement detail for the treasurer to match against the bank statement. The treasurer should verify outstanding items.

Most treasurers provide a monthly treasurer's report for the board. These reports should be tailored to your board's needs. The level of detail is optional. At a minimum, they should report cash and investment balances by fund. It is imperative that these balances reconcile to the district's balance sheet and to the bank statements. This is the important internal control process that verifies what your bookkeeper is posting.

The School Code (105 ILCS 5/8-2) requires each treasurer of a school be properly bonded. Bond coverage should be at least 25% of the total funds under the treasurer's control. Is your coverage adequate? Too much? Too little? Overall cash + investment balances vary. You should set your coverage high enough, review it periodically, and make appropriate adjustments when warranted.

## **Do you have an official capitalization policy?**

We have had several requests for a sample capitalization policy. You can find our school district sample capitalization policy on our website. An official capitalization policy can help clear up confusion about which items should be included in capital outlay and where to record the expenditures.

The minimum capitalization thresholds chosen should be appropriate amounts. Setting the threshold too low may result in numerous small items being included in capital outlay that should more appropriately be expensed as repairs or supplies. However, operating spending per pupil includes all costs for instructional spending including supplies and repairs, but not capital outlay. Unreasonably high thresholds will inflate operating spending per pupil (as well as per capita tuition charge and operating expense per pupil) by including more repairs or supplies expense in the calculation, than have been included in the past.

The Government Finance Officers Association recommends that, in general, minimum capitalization thresholds should be set at no less than \$5,000 for any individual item. However, regulations included in some federal awards prohibit the use of capitalization thresholds that exceed \$5,000.

## **2018 Federal Mileage Rate**

The IRS announced in IR Notice 2018-03 that the optional mileage allowance for owned or leased autos is 54.5¢ for business travel in 2018 under accountable plans. That's a 1¢ increase over the 53.5¢ allowance for 2017 business travel.