

**DI Accounting and Reporting**

5/18/17

The Board of Education (Board) expects the Superintendent to assure that the Cobb County School District (District) establishes financial guidelines and procedures that comply with generally accepted accounting principles, State Department of Education rules, and District expectations established in Board Policy DB (Planning, Programming, Budgeting System).

**A. PERSONNEL BUDGET:**

1. To protect the mutual trust between the Board of Education, the Superintendent, and employees of the District, the Superintendent shall, in Executive Session provided that this action does not attempt to violate any provision of the Georgia Open Meetings Act, discuss all personnel budget issues including any proposed changes to the compensation/structure including proposed bonuses, pay increases, and the addition or deletion of employee groups.
2. In considering the implementation of specific personnel options (for instance the adequate staffing of a leadership academy, offering an enriched staff development program, or other improvements), the Superintendent must:
  - a. Disclose to the Board the potential financial and programmatic impact of such actions;
  - b. Identify other initiatives, including reaching target reserve levels, which may be jeopardized as a result of funding proposed personnel issues.
  - c. Require specific Board action to hire in excess of those positions provided in the budget.

**B. LOANS:****1. Short-Term Loans:**

- a. The District may incur indebtedness only when approved by the Board and then only in an amount specifically approved by the Board.
- b. **Procedures:**
  - (1) The Board, as it deems necessary, may vote to approve a resolution authorizing the borrowing of money for District purposes. The aggregate amount of all such loans outstanding at any one time shall not exceed 75% of the total income of the Board from taxes collected by the Board in the preceding year.
  - (2) In accordance with O.C.G.A. § 20-2-391, the resolution authorizing the borrowing of funds shall, as a minimum, state:
    - (a) The amount to be borrowed;
    - (b) The length of time it is to be used;
    - (c) The rate of interest to be paid;
    - (d) The purpose for which it is borrowed; and
    - (e) The institution from which it is to be borrowed.
  - (3) Such loans shall be payable on or before December 31 of each year.
  - (4) The Board Chair and Superintendent shall execute the note(s) for money that is authorized to be borrowed under the resolution passed by the Board (Board Policy BBA [Board Officers]) and Board Policy ABB [Board Powers and Duties]). (see O.C.G.A. § 20-2-395)

**2. Loans to Schools:****a. Eligibility:**

Before a loan can be made to a school, the school must demonstrate that all borrowed funds shall be used for curricular, co-curricular or extra-curricular activities which are related to an educational program.

b. **Guidelines:**

The following guidelines shall apply to loans:

- (1) Loans will be used for the purpose of assisting the program specified;
- (2) The maximum loan to a local school will not exceed \$50,000; and
- (3) Loans will be repaid within five years with one-fifth of the loan due on each anniversary of the loan date.
- (4) Loan requests should follow Financial Services procedures.

3. **Loans to Organizations other than Schools:**

The Board may not authorize a loan of District funds to private organizations, such as Booster Clubs, PTAs, or other school support organizations (Administrative Rule KG-R [Use of School Facilities]).

**C. FUND BALANCE:**

1. In accordance with Governmental Accounting Standards Board (GASB) Statement 54, the Board recognizes the following five categories of fund balances for financial reporting purposes:

- a. *Non-spendable Fund Balance* – non-cash assets such as inventories or prepaid items.
- b. *Restricted Fund Balance* – funds legally restricted for specific purposes, such as grant funds.
- c. *Committed Fund Balance* – amounts that can only be used for specific purposes pursuant to a formal vote of the Board. The Board, as the government's highest level of decision-making authority, may authorize expenditures from the committed fund balance by a formal vote prior to the District's fiscal year-end for that fiscal year. Future modification or rescission of committed funds must likewise be accomplished by a formal vote of the Board prior to fiscal year-end. A majority Board vote is required to approve a commitment and a majority Board vote is required to remove a commitment.
- d. *Assigned Fund Balance* – amounts intended by the Board for specific purposes. The Board expressly delegates to the Superintendent, through the Chief Financial Officer, the authority under this policy to assign funds for particular purposes. Such assignments cannot exceed the available fund balance in any particular fund.
- e. *Unassigned Fund Balance* – residual spendable fund balance after subtracting all above amounts.

2. **Spending Prioritizations:**

- a. When an expenditure is incurred that would qualify for payment with either restricted or unrestricted funds, it will be paid from restricted funds.
- b. When an expenditure is incurred that qualifies for payment from either of the three unrestricted fund balance categories, it will be applied in the following order:
  - (1) Committed,
  - (2) Assigned, and
  - (3) Unassigned.

3. **Minimum Unassigned Fund Balance:**

The District will strive to maintain a minimum unassigned fund balance in its General Fund of at least 8.33% of budgeted expenditures. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain an emergency funding source.

4. **Replenishing Unassigned Fund Balance Deficiencies:**

When the Unassigned Fund Balance falls below the minimum of 8.33%, the District will replenish shortages/deficiencies using the following budget strategies and timeframe:

- a. The following budgetary strategies shall be utilized by the District to replenish fund deficiencies:
  - (1) The District will reduce recurring expenditures to eliminate any structural deficit;
  - (2) The District will increase recurring or one-time revenues or pursue other funding sources; or
  - (3) Some combination of the two options listed above.
- b. Minimum Unassigned Fund Balance deficiencies shall be replenished within the following time period:
  - (1) Deficiency resulting in a minimum Unassigned Fund Balance of less than 8.33% shall be replenished over a period not to exceed two (2) years.

5. **Total Fund Balance:**  
Should the Total Fund Balance of the General Fund ever exceed 15% of budgeted expenditures, the District will:
  - a. Utilize excess funds for one-time expenditures that are non-recurring in nature and which will not require additional future expense outlays for maintenance, additional staffing or other recurring expenditures; or
  - b. Consider transferring excess funds to a separate Capital Accumulation Fund (Committed Fund Balance).
6. Pursuant to the provisions of GASB Statement 54, the Board hereby commits substantially all of the revenue received by the following Special Revenue funds to be used exclusively for each respective program's operating expenditures.

<u>Special Revenue</u>	<u>Committed Revenue Source</u>
Donations	Donations by individuals or organizations to benefit school programs
After School Program	Funds earned or donated at local schools for the After School Program (ASP) are to be used by local principals to benefit schools, students and faculty subject to District policy.
Performing Arts	Voluntary student contributions to fund Performing Arts Program
Tuition School	User tuition charges
Facility Use	User rental fees
Adult High School	User tuition/GED fees
Public Safety	Student Parking Permit Fees
Artists at School	Donations to fund artist workshops at local schools
Local Schools	Funds earned or donated at local schools are to be used by local principals to benefit students and faculty subject to District policy.

**D. DEBT MANAGEMENT:**

1. **Objectives:**  
The primary objective is to ensure prudent debt management practices which:
  - a. Maintain financial stability
  - b. Preserve public trust
  - c. Minimize costs to taxpayers
  - d. Minimize borrowing costs
  - e. Demonstrate adequate administrative oversight of debt programs to credit rating agencies
2. **State of Georgia Law Debt Limit:**  
The District will manage its debt in compliance with O.C.G.A. § 20-2-390 *et seq.*
3. **Short Term District Debt:**
  - a. Definition – For purposes of this policy, short-term debt refers to debt with a repayment term of one (1) year or less.
  - b. Short Term Debt Mitigation – The District will strive to maintain a minimum unassigned fund balance in its General Fund of at least 8.33% of budgeted expenditures (one-month reserve). This minimum fund balance is to protect against cash flow shortfall related to timing of projected revenue receipts and to maintain an emergency funding source.
  - c. Authorized Short Term Debt – In the event of short term cash needs, the district is authorized to issue short-term debt in compliance with O.C.G.A. § 20-2-390 *et seq.*
4. **Long Term District Debt:**
  - a. Definition – For purposes of this policy, long-term debt refers to debt with a repayment term of greater than 1 year.

- b. Long Term Debt Mitigation – The District will strive to be free of Long Term Debt. The District’s participation in the Special Purpose Local Option Sales Tax (SPLOST) revenue program will continue to be the district’s primary source of funding to provide for school facilities, technology and capital needs.
- c. Authorized Long Term Debt – In the event of long term cash needs, the district is authorized to issue long-term debt in compliance with O.C.G.A. § 20-2-390 *et seq.*

**E. FINANCIAL ADVISOR SERVICES:**

The District shall have the option of retaining a Financial Advisor to provide independent financial advice to the Chief Financial Officer and the Board. The various financial advice topics are:

- 1. Short Term Borrowing;
- 2. Long Term Borrowing;
- 3. Financial Project Coaching; and
- 4. Financial Investment Advice

**F. FINANCIAL PRACTICES:**

**1. On-time Payments:**

The District shall:

- a. Settle payroll and debts in a timely manner;
- b. File accurate and on-time tax and other government ordered payments and financial filings.
- c. Not acquire real property for investment purposes; and
- d. Aggressively pursue receivables after a reasonable grace period.

**2. Procedures:**

The procedures developed and implemented by the Superintendent or designee shall:

- a. Provide for the consistent accountability of all District funds;
- b. Require that District personnel have itemized receipts for cash purchases and that other purchases be supported by purchase orders or contracts with payment made only upon receipt of original invoices;
- c. Require that District personnel not collect funds from students for expenditures that are included in the District budget;
- d. Require District personnel to maintain a clear audit trail from receipt of funds to disbursement of funds;
- e. Provide for an annual audit of student activity funds by either an internal or external auditor;
- f. Account for the disposition of surpluses or deficits from completed projects; and
- g. Provide for an annual audit of all District funds and the payment of costs for external auditors from the funds being audited.

**3. Line Items Transfers:**

The Superintendent will request Board approval of all budget transfers in accordance with state budgeting amendment procedures. Budgeted funds assigned to Department heads and Principals can be transferred between their line item accounts with the exception of salary and fringe benefit accounts. To implement these budgeting procedures the Superintendent and staff will develop, review and maintain up-to-date Financial Services Regulations governing budget transfers of all District funds to ensure good fiscal responsibility.

**4. Investment of District Funds:**

Effective cash management is recognized as essential to good fiscal management. The extent to which the cash manager can obtain investment returns on funds not immediately required can provide additional needed financial resources. This requires that investments be well founded and uncompromisingly applied in legal, vendor, and administrative aspects.

**a. Depositories:**

All District central funds shall be deposited to the credit of the District. The bank depository for the District’s daily operating central funds will be selected through standard bidding procedures and approved by the Board Chair.

**b. Investment Authority:**

- (1) The Board delegates the authority to invest the District's idle funds to the Chief Financial Officer (CFO) or designee;

- (2) The CFO or designee:
  - (a) Has the authority to sign all paperwork required by investment or banking institutions to open investment accounts unless additional signatures are required; and
  - (b) Will provide a quarterly investment report to the Board.
- c. **Guidelines:**
  - (1) The District will emphasize the preservation of investment principal and conform with Federal and State legal requirements.
  - (2) The financial administration will maintain sufficient liquidity to meet funding needs.
  - (3) Investments will be diversified to avoid incurring unreasonable risks regarding specific investments or individual banks.
  - (4) Investments will be made that will attain the best market rate of return considering liquidity based on projected expenditure needs.

## **G. PROCUREMENT PRACTICES:**

### **1. Purchases:**

Purchases are defined as the obtaining of goods or services via purchase orders, check requests, performance contracts, construction contracts, other contracts, or procurement cards.

### **2. General Provisions:**

The Board expects the Superintendent and his/her staff to establish procedures for the procurement of supplies, equipment and services for the District that complies with generally accepted purchasing principles, District procedures and Georgia Department of Education Rules, Georgia laws and federal laws. Specifically, the District shall make purchases that are consistent with the purchasing principles of:

- Acceptable quality at lowest price;
- Transparency in use of public funds;
- Protection against conflict of interest;
- Maximization of competition;
- Equal and fair competition; and
- Legal/regulatory compliance.

### **3. Solicitation Process:**

- a. All purchases are subject to the competitive solicitation process if the anticipated annual cost is \$10,000 or more and an Exception to Full and Open Competition as defined in the District Purchasing Regulations does not apply.
- b. The Superintendent or designee shall set solicitation dates and opening time according to District procedures and State rules. The District shall be represented by appropriate staff members at all bid openings including at least one representative from Procurement Services. The Procurement Services staff member representing the District shall call the time for receiving solicitation responses closed at the time specified in the solicitation document(s). Solicitation responses will not be accepted after the time specified in the solicitation document has been called.

### **4. Board Approval:**

Specific Board approval shall be required for all purchases greater than \$200,000 except those purchases specifically pre-approved by the Board and/or those purchases that are within a Board approved bid/RFP. The Board may change its list of pre-approved items at any time (see Board Policy DB [Planning, Programming, Budgeting System]).

### **5. Contracts:**

#### **a. Contracts for Good and Services:**

All District Standard Contracts for Goods and Services, including purchase orders and performance contracts, require the following approval:

- (1) All District generated contracts for the purchase of non-construction goods and services on the Board pre-approved list shall be approved and executed by the Director of Procurement Services.
- (2) All District generated contracts for the purchase of non-construction goods and services in excess of \$200,000 annually and not on the Board pre-approved list shall be approved by the Board. Upon approval by the Board, the Director of Procurement Services shall execute the contract.

(3) A copy of each standard contract form used by the District shall be filed in the office of the attorney and shall be reviewed annually by the attorney and the Director of Procurement Services.

(4) Contracts other than those of District standard form shall be reviewed by the attorney and Director of Procurement Services.

**b. Construction Contract Approval:**

All District generated contracts for construction and construction related services require the following approval:

(1) Construction contracts in the amount of \$25,000 or less shall be approved by the appropriate Division head and executed by the Superintendent or designee;

(2) Construction contracts in the amount of \$25,001 to \$200,000 will be approved and executed by the Superintendent or designee;

(3) Construction contracts in excess of \$200,000 will be recommended by the Superintendent and approved by the Board of Education. Superintendent or designee to execute contract.

**6. Vendor Evaluation:**

Vendor performance, including those vendors providing contracted services, will be routinely evaluated using procedures outlined in District Procurement Regulations.

**H. BOARD OF EDUCATION REPORTS:**

The Superintendent or designee shall:

1. Provide the Board quarterly reports of the financial activities of the District;

2. Notify the Board of the following:

a. Expenditures greater than \$100,000;

b. Budget line item increases of both 20% or more, and at least \$100,000.

3. Provide a year-end, pro forma, general fund financial statement for the preceding fiscal year no later than the October Board Work Session each year.

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Effective: 9/1/04

Revised: 11/10/04; 1/27/05; 9/7/05; 10/12/05; 11/9/05; 3/23/06; 6/14/06; 5/14/08; 10/22/09; 2/25/10; 3/10/10; 6/23/11; 12/8/11

Revised and re-coded: 10/25/12 (Previously coded as Board Policy SD-6)

Revised: 9/26/13; 10/23/14; 5/18/17

**Legal Reference**

O.C.G.A. 48-8-141

Manner of imposition of tax; report

O.C.G.A. 50-6-32

Short title; definitions; creation, operation, and maintenance of searchable website; public access to state expenditure information

O.C.G.A. 20-2-160

Determination of enrollment; determination of funding

O.C.G.A. 20-2-162

Annual recalculation of funding; mid-term adjustment

O.C.G.A. 20-2-167

Funding for direct instructional, media center and staff development costs; submission of budget

O.C.G.A. 20-2-720

Inspection of student's records by parents

O.C.G.A. 20-2-962

Quarterly reports by principals; audits by boards

O.C.G.A. 50-6-6

Audit of school systems; employing accountants; accounting standards

Rule 160-5-2-.21

Annual Financial and Budget Reports