

Adopted: June 22, 2009
June 23, 2014 (No Change)
School Board Review: October 2018
School Board Review: May 28, 2019 [Routine Review]

Contact Person: Executive Director of Finance and Support Services

POLICY 702 ACCOUNTING

I. PURPOSE

To provide direction for financial control, the control and use of assets, the use of staff personal property to conduct District business, and conducting business on District property.

II. GENERAL STATEMENT OF POLICY

A. Financial Control:

1. Administration will maintain the District's books and records and do its accounting in compliance with the Uniform Accounting and Reporting Standards for Minnesota School Districts (UFARS) provided for in the guidelines adopted by the Minnesota Department of Education and in compliance with applicable state / federal laws and rules relating to reporting of revenues and expenditures.
2. Administration will ensure that:
 - a. All Public Funds will be handled according to state and federal law.
 - b. Only the School Board has the authority to authorize bank accounts for public funds.
 - c. Depositing public funds in accounts not authorized by School Board action is illegal.
3. Administration will ensure District compliance with all federal regulations relating to debt obligations and safeguard against post-issuance violations.

B. Control and use of assets:

1. The Superintendent will establish and maintain regulations to ensure control, appropriate use and the accounting for:
 - a. District credit cards
 - b. Imprest cash funds

C. Use of Staff personal property to conduct District Business:

The Superintendent will establish and maintain regulations to address staff use of their personal property, such as vehicles for travel related costs, to conduct District business.

D. Conducting business on District property:

The Superintendent will establish and maintain regulations to control business conducted on school property.

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REGULATION 702 ACCOUNTING

I. FINANCIAL CONTROL

A. Handling of Public Funds

Definitions

“Public Funds” pertains to all funds, petty cash accounts, student activity money, student fees, food service receipts, athletic admissions and all cash/checks/electronic transfers from fees, donations and sales. This includes all receipts from any source including grants, gifts and donations.

1. All incoming cash must be documented by the issuance of a receipt (number tickets are used for athletic/activity events).
2. All cash received must be deposited intact – no money may be spent from cash received.
3. All checks received by the District must be deposited.
4. Checks may be only accepted for the amount of a sale, donation, payment or fee.
5. The District will not accept third party checks.
6. The District will not provide check-cashing services for individuals or organizations.
7. Petty cash may not be used for travel expense (i.e., mileage, food and lodging), labor, fees for personal services, or for purchase of equipment.
8. No credit to anyone for any reason (i.e., no payment “terms,” installment payment plans, loans or advances, etc.) without approval from the Executive Director of Finance and Support Services.
9. Public funds may not be used for any purpose, which represents an accommodation, loan or credit to any individual.
10. All monies received in a school must be kept in a secure area and deposited promptly.
11. Any deviation from these regulations is a mishandling of public funds.

B. Post-Issuance Debt Compliance

General Post-Issuance Compliance

1. Ensure written procedures and/or guidelines have been put in place for individuals to follow when more than one person is responsible for ensuring compliance with Post-Issuance Debt Compliance Procedures.

2. Ensure training and/or educational resources for post-issuance compliance have been approved and obtained.
3. The Executive Director Finance and Support Services or designee understands that there are options for voluntarily correcting failures to comply with post-issuance compliance requirements (such as remedial actions under Section 1.141-12 of the Treasury Regulations and the ability to enter into a closing agreement under the Tax-Exempt Bonds Voluntary Closing Agreement Program described in Notice 2008-31 (the "VCAP Program")).

C. General Recordkeeping

1. Retain records and documents for the original and additional issuances to refund the obligation for a period of at least seven years following the final payment of the obligation. If an obligation is refunded, then the final payment of the refunding obligation becomes the beginning of the period unless directed by the District's bond counsel.
2. Retain electronic (preferred) and/or paper versions of records and documents for the obligation.
3. General records and documentation to be assembled and retained:
 - a. Description of the purpose of the obligation (i.e. the project or projects) and the state statute authorizing the project.
 - b. Record of tax-exempt status or revocation of tax-exempt status, if applicable.
 - c. Any correspondence between the District and the IRS.
 - d. Audited financial statements.
 - e. All accounting audits of property financed by obligations.
 - f. Obligation transcripts, official statements and other offering documents of the obligation.
 - g. Minutes and resolutions authorizing the issuance of the obligation.
 - h. Certifications of the issue price of the obligation.
 - i. Any formal elections for the obligation (i.e. election to employ an accounting methodology other than the specific tracing method).
 - j. Appraisals, demand surveys, or feasibility studies for property financed by the obligation.
 - k. All information reports filed for this obligation.
 - l. All management contracts and other service agreements, research contracts and naming rights contracts.
 - m. Documents related to governmental grants, associated with construction, renovation or purchase of property financed with the obligation.
 - n. Reports of any prior IRS examinations of the District or the District's obligation.

- o. All correspondence related to above (faxes, emails and letters).

D. Arbitrage Yield Restriction and Rebate Recordkeeping

Investment and arbitrage documentation to be assembled and retained:

1. An accounting of all deposits, expenditures, interest income and asset balances associated with each fund established in connection with the obligation. This includes an accounting of all monies deposited to the Debt Service Account to make debt service payments on the obligation, regardless of the source derived. Accounting for expenditures and assets is described in further detail in Section H.
2. Statements prepared by Trustee or Investment Provider.
3. Documentation of at least quarterly allocations of investments and investment earnings to each obligation.
4. Documentation for investments made with obligation proceeds such as:
 - a. Investment contracts (i.e., guaranteed investment contracts),
 - b. Credit enhancement transactions (i.e., obligation insurance contracts),
 - c. Financial derivatives (e.g. swaps, caps, and collars), and
 - d. Bidding of financial products:

Investments acquired with obligation proceeds are purchased at fair market value (e.g., three bid safe harbor rule for open market securities needed in advance refunding escrows).

5. Computations of the arbitrage yield.
6. Computations of yield restriction and rebate amounts including, but not limited to:
 - a. Compliance in meeting the "Temporary Period from Yield Restriction Exception" and limiting the investment of funds after the temporary period expires.
 - b. Compliance in meeting the "Rebate Exception."
 - Qualifying for the "Small Issuer Exception,"
 - Qualifying for a "Spending Exception,"
 - 6-Month Spending Exception
 - 18-Month Spending Exception
 - 24-Month Spending Exception
 - Qualifying for the "Bona Fide Debt Service Fund Exception," and
 - c. Quantifying arbitrage on all funds established in connection with the obligation in lieu of satisfying arbitrage exceptions (including Reserve Funds and Debt Service Funds).

7. Computations of yield restriction and rebate payments.
8. Timely Tax Form 8038-T filing, if applicable.

Remit any arbitrage liability associated with the obligation to The IRS at each five-year anniversary date of the obligation, and the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 60 days of said date.

9. Timely Tax Form 8038-R filing, if applicable.

Remit the form after the date in which the obligation is no longer outstanding (redemption or maturity date), whichever comes sooner, within 2 years of said date.

10. Procedures or guidelines for monitoring instances where compliance with applicable yield restriction requirements depends on subsequent reinvestment of obligation proceeds in lower yielding investments (e.g. reinvestment in zero coupon SLGS).

E. Expenditure and Asset Documentation to be Assembled and Retained

Documentation of allocations of obligation proceeds to expenditures (e.g. allocation of proceeds to expenditures for the construction, renovation or purchase of facilities owned and used in the performance of exempt purposes).

Such allocation will be done not later than the earlier of: eighteen (18) months after the later of the date the expenditure is paid, or the date the project, if any, that is financed by the tax-exempt bond issue is placed in service; or the date sixty (60) days after the earlier of the fifth anniversary of the issue date of the tax-exempt bond issue, or the date sixty (60) days after the retirement of the tax-exempt bond issue.

1. Documentation of allocations of obligation proceeds to issuance costs.
2. Copies of requisitions draw schedules, draw requests, invoices, bills and cancelled checks related to obligation proceed expenditures during the construction period.
3. Copies of all contracts entered into for the construction, renovation or purchase of facilities financed with obligation proceeds.
4. Records of expenditure reimbursements incurred prior to issuing obligations for projects financed with obligation proceeds (Declaration of Official Intent/Reimbursement Resolutions including all modifications).
5. List of all facilities and equipment financed with obligation proceeds.
6. Depreciation schedules for depreciable property financed with obligation proceeds.
7. Documentation that tracks the purchase and sale of assets financed with obligation proceeds.
8. Documentation of timely payment of principal and interest payments on the obligation.

9. Tracking of all issue proceeds and the transfer of proceeds into the debt service fund as appropriate.
 10. Documentation that excess earnings from a Reserve Fund is transferred to the Debt Service Fund on an annual basis. Excess earnings are balances in a Reserve Fund that exceed the Reserve Fund requirement.
- F. Miscellaneous Documentation to be Assembled and Retained
1. Ensure that the project, while the obligation is outstanding, will avoid IRS private activity concerns.
 2. The Executive Director Finance and Support Services and/or designee shall monitor the use of all obligation-financed facilities in order to:
 - a. Determine whether private business uses of obligation-financed facilities have exceeded the *de minimus* limits set forth in Section 141(b) of the Code as a result of:
 - (1) sale of the facilities,
 - (2) sale of capacity rights,
 - (3) leases and subleases of facilities including easements or use arrangements for areas outside the four walls, (e.g., hosting of cell phone towers),
 - (4) leasehold improvement contracts, licenses, management contracts in which the District authorizes a third party to operate a facility, (e.g., cafeteria),
 - (5) research contracts,
 - (6) Preference arrangements in which the District permits a third-party preference (e.g. parking in a public parking lot, joint ventures, limited liability companies or partnership arrangements),
 - (7) output contracts or other contracts for use of utility facilities including contracts with large utility users;
 - (8) develop agreements which provide for guaranteed payments or property values from a developer;
 - (9) grants or loans made to private entities including special assessment agreements;
 - (10) naming rights agreements, and
 - (11) Any other arrangements that provide special legal entitlements to nongovernmental persons.
 - (12) Determine whether private security or payments that exceed the *de minimus* limits set forth in Section 141(b) of the Code have been provided by nongovernmental persons with respect to such obligation-financed facilities.
- G. The Executive Director Finance and Support Services and/or designee shall provide training and educational resources to any District staff that have the primary responsibility for the operation, maintenance, or inspection of obligation-financed facilities with regard to the limitations on the private

business use of obligation-financed facilities and as to the limitations on the private security or payments with respect to obligation-financed facilities.

- H. The District shall undertake the following with respect to the obligations:
1. An annual review of the books and records maintained by the District with respect to such obligations.
 2. An annual physical inspection of the facilities financed with the proceeds of such obligations, conducted by the Executive Director Finance and Support Services or designee with the assistance of any District staff who have the primary responsibility for the operation, maintenance, or inspection of such obligation-financed facilities.
- I. Changes in the project that affect the terms or commitments of the obligation are properly documented and necessary certificates or opinions are on file.
- J. Additional Undertakings and Activities that Support Sections A through E above:
1. Director Finance and Support Services or designee will notify the District's bond counsel, financial advisor and arbitrage provider of any survey or inquiry by the IRS immediately upon receipt. Usually responses to IRS inquiries are due within 21 days of receipt. Such IRS responses require the review of the above-mentioned data and must be in writing. As much time as possible is helpful in preparing the response.
 2. Director Finance and Support Services or designee will consult with the District's bond counsel, financial advisor and arbitrage provider before engaging in post-issuance credit enhancement transactions (i.e., bond insurance, letter of credit, or hedging transaction).
 3. Director Finance and Support Services or Designee will monitor all "qualified tax-exempt debt obligations" (often referred to as "bank qualified" obligations) within the first calendar year to determine if the limit is exceeded, and if exceeded, will address accordingly. For obligations issued during years 2009 and 2010, the limit was \$30,000,000. During this period, the limit also applies to pooled financings of the governing body and provides a separate \$30,000,000 for each 501 (c) (3) conduit borrower. In 2011 and thereafter it is \$10,000,000 unless changed by Congress.
 4. Identify any post-issuance change to terms of bonds, which could be treated as a current refunding of "old" bonds by "new" bonds, often referred to as a "reissuance".
 5. Director Finance and Support Services or designee will consult with the District's bond counsel prior to any sale, transfer, change in use or change in users of obligation-financed property, which may require "remedial action" under applicable Treasury Regulations or resolution pursuant to the VCAP Program.

A remedial action has the effect of curing a deliberate action taken by the District, which results in satisfaction of the private business test or private

loan test. Remedial actions under Section 1.141-12(d) (e) and (f) include the redemption of non-qualified bonds and alternative uses of proceeds or the facility (i.e., use for a qualified purpose).

6. The Director Finance and Support Services or designee will ensure that the appropriate tax form for federal subsidy payments is prepared and filed in a timely fashion for applicable obligations (e.g. Build America Bonds).

K. Continuing Disclosure Obligations

1. Identify a position at the District to be responsible for compliance with continuing disclosure obligations as defined by the Rule and any policies of the District.
2. The position responsible for compliance may have the ability to assign responsibilities, delegate where appropriate or engage a dissemination agent or third-party service providers to perform all or some of the duties described in this section. The District cannot delegate its compliance responsibilities.
3. The District should specify how providers or delegated authorities would be monitored and supervised.
4. The District should identify the documents that set forth the respective requirements being monitored at the time of closing for each obligation.
5. The District should catalog all outstanding Continuing Disclosure Agreements and establish consolidated filing requirements based on the outstanding CDAs.
6. The District should identify the frequency of the actions to be undertaken to ensure compliance, establish a system or filing alerts or reminders to administer the filing requirements.
7. The Controller for compliance must be made aware of any new outstanding debt, changes to obligation or loan covenants, events of acceleration or default that would materially affect investors.
8. The District should review a compliance checklist to verify compliance with CDA requirements, at least annually, although it may be advisable to provide more frequent reviews in connection of specific material events.
9. The District should monitor mandatory material events specifically identified in accordance with the Rule and file required notices within 10 days of occurrence.
 - a. Principal and interest payment delinquencies.
 - b. Payment related defaults, if material.
 - c. Unscheduled draws on debt service reserves reflecting financial difficulties.
 - d. Unscheduled draws on credit enhancements reflecting financial difficulties.

- e. Substitution of credit or liquidity providers or their failure to perform.
 - f. Adverse tax opinion, IRS notices or material events affecting the tax status of the obligation.
 - g. Modifications to rights of security holders, if material.
 - h. Obligation calls, if material.
 - i. Defeasances.
 - j. Release, substitution or sale of property securing repayment of the obligations, if material.
 - k. Rating changes.
 - l. Bankruptcy, insolvency, receivership, or similar event of the obligated person(s).
 - m. Merger, consolidation, or acquisition of the obligated person, if material.
 - n. Appointment of a successor or additional trustee, or change of name of a trustee, if material.
 - o. Incurrence of financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material.
 - p. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District, any of which reflect financial difficulties.
10. In addition to the mandatory material events, the District should review and file any additional or voluntary event notices.
 11. The District should maintain a catalog of all outstanding obligations whether publicly offered or privately placed, and the terms and conditions that govern default or acceleration provisions.
 12. Any missed filing requirement should be remedied with a failure to file notice as soon as possible once the late filing is identified and the required information is available to file.
 13. Sensitive information such as bank accounts and wire information should be redacted from documents prior to posting on EMMA.
 14. The District needs to monitor for changes in law and regulations that effect continuing disclosure obligations and review disclosure policies and procedures periodically to ensure compliance and consistency with regulation and market expectations.

L. Compliance with Future Requirements

Take measures to comply with any future requirements issued beyond the date of these Post-Issuance Debt Compliance Procedures which are essential to ensuring compliance with the applicable state and federal regulations.

II. CONTROL AND USE OF ASSETS

A. Establishment of Imprest Cash Funds

The Executive Director of Finance and Support Services or the Controller must establish imprest cash fund, and a “custodian” of the fund must be appointed. Periodically, the Business Services Office should review these funds to determine whether they are still necessary. The designated imprest cash custodian is personally, responsible for the cash entrusted to the fund.

B. Authorized Uses of Fund

By law, school districts are allowed to establish imprest cash funds. These funds are cash funds with currency in the form of coins and bills, not separate checking accounts. Using an “imprest system”, can only reimburse what is in the fund and requires submission of a receipts. Imprest cash funds are allowed for the payment of claims if “it is impractical” to pay the claims in any other manner. The law prohibits their use for salaries or personal expenses of an officer or employee.

C. Disbursements from Imprest Cash

There are two permissible methods of disbursing imprest cash funds: 1) the reimbursement method and 2) the advance method. When using the reimbursement method, an individual purchase an authorized item with personal funds, provides the original detailed vendor receipt to the imprest cash custodian, and is then reimbursed from the imprest cash fund. This method is less complicated than the advance method. There is no risk of loss of imprest cash funds due to the purchaser failing to buy the item and/or failing to submit supporting documentation for the purchase. For these reasons, the reimbursement method is generally preferred.

D. Replenishing the Imprest Cash Fund

To replace the imprest cash fund, a claim itemizing all disbursements from the fund must be presented to the Business Services Office, after disbursements are made. If the Business Services Office approves the claim, the funds’ custodian should be given payment to replenish the fund. If the Business Services Office fails to approve the claim in full, the fund’s custodian is personally responsible or the difference. When replenishing imprest cash funds, the total of the original receipts maintained by the custodian should match the amount of the replenishing check.

E. Controls over the Imprest Cash Fund

Because these are cash funds, extra security precautions need to be taken to safeguard these funds. The imprest cash custodian should properly secure the funds in a metal lock box that is maintained in a locked desk, locked cabinet, or locked safe to which access is limited.

Reconciliations of the imprest cash fund should be done by someone other than the person approving disbursements from the fund. At any time, the amount of cash on hand plus the receipts should equal the amount of the approved imprest cash fund. The original receipts should be maintained and filed as supporting documentation.

The Executive Director of Finance and Support Services or the Controller should consider adopting an imprest cash policy. The policy could describe when imprest cash funds should be used, items that may not be purchased with imprest cash funds, proper petty cash documentation, and imprest cash replenishing procedures.

F. Authorized Users of credit cards

According to Minnesota law, District credit cards should only be used by those employees and officers otherwise authorized to make purchases. If the District does not authorize a District credit card purchase, the officer or employee who made the purchase becomes personally liable for the amount of the purchase. school districts have authority to make purchases using credit cards issued to the District. The statutes authorizing credit card use restricts the use of District credit cards to purchases for the District only. No personal use of the District credit card is permitted.

G. Receipt process of credit cards

Purchases made with a District credit card must be consistent with other state law. For example, under Minnesota law, claims presented for payment must be in writing and itemized. Monthly statements received from a credit card company lack sufficient detail to comply with these statutory requirements. As a result, the officer or employee using District credit cards must retain the invoices and receipts needed to support the items charged in the bill from the credit card company. Similarly, listing only the credit card company on a claim list would merely identify the method of payment. It does not identify the vendors providing the goods and services, as required by law.

H. Payment process of credit cards

The authority to use District credit cards does not authorize the creation of a new form of debt for the District. The statutes governing the issuance of debt by the District add a number of restrictions to the issuance of any obligation. The credit card statutes simply authorize another method of payment. Therefore, the District's Director of Finance and Student Services must adopt a policy of paying off District credit card charges on a monthly basis. Before implementing the use

of District credit cards, the District shall adopt a comprehensive credit card policy that may include such areas as good management practices and internal control procedures.

III. Controls and audit process

The District shall adopt a comprehensive District credit card policy that shall require the following safeguards:

1. Prohibit the use of the District credit cards for personal purchases.
2. Identify the employees and officers who are authorized to make purchases on behalf of the District and are eligible to use District credit cards.
3. Identify the particular purchases that are to be made with the District credit card.
4. Set up a review process for all purchases made on the District credit card.
5. Require supporting documentation for all purchases made with the District credit card.
6. Restrict the total amount of charges that can be made on the District credit card.
7. Obtain signed written acknowledgements of the District credit card policies for all authorized District card users.

The ability of the cardholder to make the District liable for an improper or illegal purchase is an inherent risk associated with District credit cards. Compliance with statutory requirements, and the adoption of and adherence to this policy implementing further internal controls will greatly reduce the District's exposure to loss of public funds through theft or misuse of the District credit card.

IV. USE OF STAFF'S PERSONAL PROPERTY TO CONDUCT DISTRICT BUSINESS

A. Definitions

1. "Personal Vehicle Expense" is defined as mileage traveled on District business in a staff member's personal vehicle. This does not include any travel in a school vehicle. Commuting expenses between the staff member's residence and school buildings are never reimbursable. Travel by staff to committee meetings is a reimbursable expense. Travel for paid extra assignments are not reimbursable.
2. "Personal Vehicle Expense Reimbursement Rate" – Reimbursement for required travel in a personal vehicle will be made at the Internal Revenue Service business auto use rate. Change in rate will be effective at the beginning of the quarter following notification of a change by the IRS.

B. Procedure for Payment

1. A mileage reimbursement form for personal vehicle expense should be used to claim expense for required travel in a personal vehicle.
2. The form must include a description of the travel and the recorded miles traveled. A mileage chart is provided on the back of the form for in-

district travel. The claim must include the amount to be reimbursed and an accounting code.

3. The immediate supervisor should approve the claim and send it to the Business Office for processing for payment.
4. This form should be submitted monthly to the Business Office for processing for payment. Year-end claims should be submitted by July 15.

C. Insurance Liability

1. It does not matter whether the staff member was at fault or not, the District's insurance program will not cover the physical damage to the staff member's car. Any damage done to the staff member's car needs to be covered by his/her own personal insurance policy.
2. Regarding liability from damage or injury to a third party, the owner of the vehicle has the "primary" responsibility. That being said, if a staff member gets in an accident in his/her vehicle on company time and is at fault, the staff member's insurance policy will respond first (primary).
3. If the claim or lawsuit is extensive, the District's policy will protect the employee and the District on a secondary basis under the District's commercial automobile policy, in the event the staff member's limits run out.
4. District has the same limits of insurance (including the Umbrella); to protect as if it was a District-owned vehicle.

V. CONDUCTING BUSINESS ON DISTRICT PROPERTY

A. Sale of Merchandise and Services on School Premises

1. There will be no retail sales of merchandise or services conducted on the District premises by a business, individual, employee or employee group except:
2. A business, individual, employee, or employee group may apply to rent school facilities to sell merchandise or services. The District reserves the right to approve or deny the application.
3. The District may contract with a business, individual, employee, or employee group to sell merchandise or service on school premises.
4. School-related groups, such as PTAs, and booster groups, may sell merchandise or services on school facilities for fund raising. A group will be required to obtain a permit from the District's Building Reservations Department. The group may use the facilities free of charge up to 2 times a year for these fundraisers. The group will be charged the customary rate after two free uses in one school year.
5. Students, as part of their curricular and/or extracurricular program, may sell merchandise or services on school premises with the prior approval of the principal. District policies, regulations and rules may limit/prohibit sales.

B. Solicitation on School Premises

1. A business, individual, employee or employee group may not solicit on school premises, pledges or donations without prior consent from the site administrator (i.e. principals, superintendent, etc.)
2. Students, as part of their curricular and/or extracurricular program, may solicit pledges and donations on school premises with the prior approval of the principal. District policies, regulations and rules may limit/prohibit solicitations.