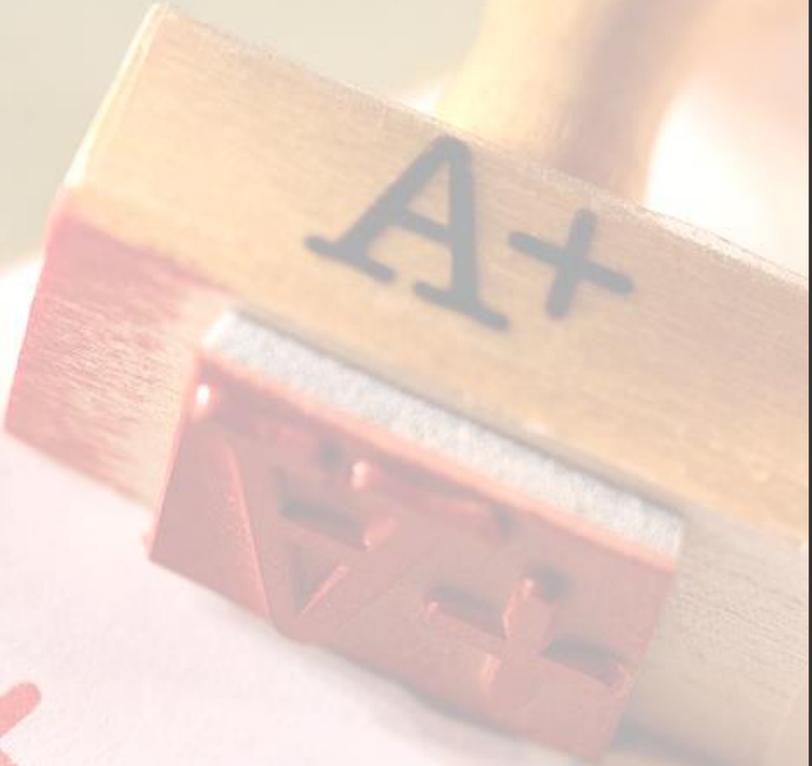


Spartanburg School District 3 Internal Guide to School Finance Procedures



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June 2007 / edits through October 2016

Overview

This document is provided to answer general questions regarding various financial issues that may arise within your school. The Office of Finance hopes to assist schools in becoming informed financial and administrative managers. The questions and information that we receive from Principals help us determine how to implement financial policies and procedures in order to facilitate the business functions of the District. If you have further questions please do not hesitate to contact someone within the Finance Department.

Contact Info

| <u>Name</u> | <u>Area of Responsibility</u> |
|---------------|---|
| Greg Mack | Assistant Superintendent for Finance & Operations |
| Lloyd Vidrine | Accounting Coordinator |
| Mecole Rogers | Payroll Administrator |
| Traci Swaney | Accounts Payable Specialist |
| Margaret Hill | Payroll Assistant / Fund Accounting (Part time) |

Basic guidelines exist for successful financial management of Spartanburg School District Three:

1. Allocate and spend the money wisely. Purchase items that will benefit the programs implemented within your school.
2. Expend the money in the proper time allotted. The District's fiscal year is from July 1-June 30.
3. Adhere to the procedures and policies approved by the Board of Trustees.
4. Maintain proper supporting documentation.

General Finance

Q: What funds are available for me to spend at my discretion?

A: The District's General Fund (100 funds) is used for general operations of each school. These are funds that are allocated to schools each year during the budget process and principals are given the opportunity to determine how to allocate these funds.

Pupil Activity Funds (700's funds) are used for school specific activities and are funded thru school activities, clubs, and fundraisers that are specific to each school.

School bookkeepers have access to the accounting system and are able to view these accounts. Principals and Directors can issue purchase orders up to \$2,000 without Finance Department approval. Amounts over \$2,000 must first be approved by the Finance Office prior to issuing. All invoices and purchases must be approved by the principal/director prior to the actual purchase. Verification of accuracy also needs to be documented.

Q: What is a FEIN (or EIN)?

A: Federal Tax ID Number. The District's is 57-0759273. Each school within the District shares this number as well.

Q: I am being asked by a vendor for the District's sales tax exempt number, what is that number?

A: The District is not exempt from sales tax and therefore there is no sales tax exempt number. There are however, certain articles that by South Carolina law, are exempt from sales tax. For more information regarding sales/use tax, as well as a list of some of the most common exemptions please see this publication available on the South Carolina Department of Revenue's website at:

www.sctax.org: <http://www.sctax.org/NR/ronlyres/847F22A2-A0A2-4F89-80EB-5F1A26DA835B/0/WorkshopManual2006.pdf>

Q: Are there specific board policies regarding finance?

A: Yes, the District has many policies in place and the policies have recently been updated. The policies should be consulted first before entering into any agreements. The District has all policies online through the S.C. School Board's Association (SCSBA), and will soon be found through a link on the District's website: www.spartanburg3.org , or directly through SCSBA's website at Policies Online:

<http://scsba.org/policy-services/policies-online/>

Q: A group wants to rent my building, what do I need to do?

A: The District has a specific use of building policy and fee schedule, policy KF Community Use of School Facilities. It is important to consult the policy regarding building rentals. Approval must be approved by the principal and a copy submitted to the District Office prior to the use of building.

Q: How long do we have to keep financial records?

A: The District adheres to the state archive records in determining disposal of records. This documentation can be found at the following website:

<http://rm.sc.gov/generalschedules/Documents/genskedskldist.pdf>

Q: My school received a grant. What do I need to do to spend the money?

A: Any grant activity awarded to an individual school should be reported to the finance department. Reimbursements for grants that are awarded as "reimbursement only" must be requested in a timely manner to ensure that funds are received prior to June 30 of each year.

Q: If I am unavailable, can I delegate someone else to sign checks, purchase orders, and time sheets? Or can I just purchase a stamp with my signature?

A: No, stamped signatures are not allowed. Assistant Principals, if applicable, may approve checks, purchase orders, and time sheets should you not be available, but not in lieu of your approval.

Q: It would be easier for me if I had a credit card. Can I open an account at a local store or secure a credit card for my school?

A. No, credit applications are approved at the district office and should not be opened by an individual at a school. Currently, only the Superintendent and the Assistant Superintendent for Finance & Operations have the authority to open an account in the name of the school district.

Pupil Activity

Please refer to the District's ***Pupil Activity Policy and Procedures Manual*** for complete procedures for pupil activity funds.

Q: Does all money collected by a teacher have to be receipted?

A: Yes, all money collected by the teachers and staff must be receipted to the student. Teachers should deposit their collections with the bookkeeper daily and the bookkeeper must write the teacher a receipt for her deposit to them. All deposits must be made to the bank on a daily basis and must correspond to supporting documentation (receipts, ticket logs).

Q: If I know the vendor and trust them, is it okay to issue a purchase order without the proper documentation?

A: As principal, you are responsible for protecting the funds allocated and collected within your school. Proper documentation will aide you in working effectively toward implementing the goals and will keep you from being accused of mismanagement of funds. All funds must be receipted and all original invoices and receipts must support all check requests.

Q: What is involved in the annual audit?

A: Annually the District's external auditors will review the policies and procedures used within your school to verify that the policies and procedures established by the District are being followed. They will also review a sampling of checks and receipts to verify that proper supporting documentation is maintained. Any discrepancies are reported to the Board of Trustees in the form of a Management Letter comment.

Q: Can my school bookkeeper also maintain the PTO bank account?

A: No, PTO funds need to remain separate from the schools control. They should however, be aware of the District's policies and procedures and should adhere to those same guidelines.

Purchasing

Q: Do I have to issue a purchase order and if so, why?

A: Yes. Purchase orders are required by board policy to initiate any goods and services secured by the school district. The purpose of the purchase order is to provide a means of tracking the order, verification/approval of the order, and as a means of securing, or encumbering, the dollar amount of the order from your specific line item budgets so that you know the amounts available for spending. Each school bookkeeper has access to the accounting system (CSI) and is able to generate a purchase order. They must first have principal approval prior to initiating a purchase order.

Q: Do I have to approve and sign every purchase order that is generated from my school?

A: Yes, there are no exceptions. Finance will not pay an invoice without proper authorization and proper documentation. All invoices/purchase orders must be approved by principal or immediate supervisor (Director, CFO or Superintendent).

Q: What are the general guidelines for issuing a purchase order?

A: General guidelines:

- All purchases must meet the requirements of the funding source.
- Principals are responsible for all expenditures of school funds
- Principals/Directors must approve all expenditures.
- Expenditures from cash are strictly prohibited.
- School bookkeepers must follow through with all approved expenditures.
- All orders, once received, must be approved by the receiving party prior to payment.
- Detailed receipts must accompany/support all purchases.
- Goods/services must be received prior to payment.
- Purchases cannot be made in anticipation of future funds.

Q: What are the dollar values for bid requirements per the District's procurement code?

A: Up to \$2,500: No bid/quote required (but a good idea to shop)!
\$2,501 - \$10,000: 3 written quotes (can be fax or e-mail or internet)
\$10,001 - \$50,000: 5 written quotes ("NO BID" counts as a quote). **
**** (please contact the Finance Department prior to making these commitments).**

Q: I had a purchase order dated in last year. Why is the payment showing up in the new year?

A: Payments of invoices are dated and paid in the year in which the order was received, or the services were provided, regardless of the purchase order date. *(Which is why we have early deadlines for POs)!*

Q: I see a payment to the SC Department of Revenue that did not come through my school, what is this for?

A: We are required by law to pay sales and use tax on goods received. Payments made to out of state vendors who did not charge sales tax are calculated and are paid to the State of SC Department of Revenue on a quarterly basis. *(Keep in mind when you order goods from out of state)!*

Accounts Payable

Q: How often does the District issue checks?

A: The District process accounts payable checks on a weekly basis, generally on Thursdays for Friday distribution. The cutoff each week is Friday for checks to be paid the following Friday. Checks are either mailed, to vendors, or sent via interoffice to the schools for reimbursement checks.

Q: I have an invoice that needs to be paid, how do I handle getting that paid?

A: First a purchase order must be generated. Next, the receiver must sign that they have actually received the goods/services. The bookkeeper should match the invoice to an existing invoice and ensure that the invoice matches the purchase order. (The District will allow only a 10% deviation from the purchase order price without written approval). The principal must then sign for approval of payment and remit to Accounts Payable.

All reimbursement expenditures must be approved by an immediate supervisor including principals. The superintendent must approve the expenditures for direct reports and principals are to approve their direct report's claims for expenditures before a check will be issued.

Budget

Q: How is my budget determined?

A: Each year in January/February the Finance Department issues a Budget Guide to principals and to the Board of Trustees to establish a budget calendar and to act as an aide in developing the District's General Fund budget. Allocations are given to schools based on enrollment and enrollment projections based on a per pupil amount. Principals are given the necessary tools and spreadsheets to develop determine how to allocate their funds. This is also the avenue to request any new positions and capital items/projects that you feel are necessary at your school.

Q: What if I find that I need to add more to one line item from another? Can I request a transfer?

A: Yes, you may request a transfer from any non-salaried account to another within your school location. All transfers must have principal approval.

Q: Are line item overages allowed as long as I'm not over budget in total?

A: No, you will need to request a transfer to cover overages.

Q: Can I carry forward any unspent funds to the next fiscal year?

A: On certain accounts, yes. We will transfer these balances to a separate fund for the new year during closeout. For the most part (salaries, fringe, operations, utilities, etc.), however, no.

Payroll

Q: I need to hire someone to handle a task for a new program I am starting at my school, how do I handle that situation?

A: New positions must first be approved by the Superintendent and in many cases the Board of Trustees. Your first contact is the Personnel Department at the District Office. A Payroll / Personnel Action Form can start the process once the position is approved. *Remember that funds to cover both the salary and the employee benefits must be available for a position to be approved. If the employee will be full time, that will likely include a health insurance election.*

Q: I need for a staff member to come in on the weekend to finish some duties, can I pay him/her overtime?

A: Overtime is generally not allowed. While the District understands that certain issues arise to warrant overtime (i.e. specific maintenance requirements, bus driver field trip time, etc.), it is typically not an allowed function. Teachers and certified staff are not subject to overtime in accordance to the Fair Labor Standards Act (FLSA) and these issues do not pertain to those groups of employees. These types of employees are considered "exempt" from overtime.

Non-exempt employees include office staff, aides, custodians, cafeteria workers, maintenance, and bus drivers. Non-exempt employee time should be kept to their standard work week. There are provisions for you to approve compensatory time for these employees on a very limited basis.

Q: What is included in the District's portion of employee benefits?

A: Below are the 2016-17 amounts that the District pays of every full-time employees' pay check:

- SC Retirement 16.89%
- FICA 7.65%
- Workers Comp .70%
- Group Insurance will be a fixed monthly amount depending on the level of coverage and insurance carrier elected by the employee.

Definitions of School Finance Terms You May Hear:

Education/State

- **ADM (Average Daily Membership)** - of a district is determined by total enrollment and days students are present/absent. Your Power School operator will run periodic reports for submission to the State Department of Education. The 135th Day Report provides the basis for determining the amounts of several state funding sources.
- **EFA (Education Finance Act of 1977)** – is the main pillar of state funding of public education in South Carolina. Its formula theoretically provides, on average, about 70% of the funding for state’s defined minimum program, which theoretically includes teacher-student ratios, administrative and support services, the program of study, and the minutes/hours/days of instruction devoted to each subject. In order for a district to receive EFA funds, it must provide its required share of the base student cost of the defined minimum program based on its wealth as reflected in its Index of Taxpaying Ability (defined below).
- **BSC (Base Student Cost)** - The foundation funding variable of the EFA formula. The BSC provides the basis of EFA’s defined minimum program. The BSC, under the Education Finance Act of 1977, is set by the General Assembly and is adjusted upward or downward based on the availability of state revenue.
- **EIA (Education Improvement Act of 1984)** - Funds generated from the “fifth penny” of the state’s 6% sales tax. Passed in 1984 by the General Assembly. Includes initiatives for increased teacher pay, Gifted & Talented programs, Early Childhood Education, remediation, and at-risk populations.
- **ITA (Index of Tax-Paying Ability)** – Index of a district’s ability to meet the requirement of local support, or its local revenue producing ability. This index is calculated by the State Department of Revenue, and is calculated by dividing the fiscal capacity of the district by the fiscal capacity of the state. The fiscal capacity of the state is the market value of all property in the state. The fiscal capacity of a district is based on the market value of all real and personal property in a district. *This definition is under pressure for major revision as a result of Act 388.*
- **Act 388 (Property Tax Reform Act of 2006)** – Passed to exempt all owner-occupied real estate from school operating tax levies. An additional penny sales tax (the “sixth penny”) was enacted to create a fund to reimburse school districts for revenue lost from the property tax exemption. The first year it was enacted, the exemption covered the entire amount of lost revenue. Subsequently, the act calls for an indexed increase based on the Consumer Price Index and population growth. *The exemption of a large portion of a district’s tax base by this Act and its impact on the Index of Taxpaying Ability are currently being debated in the legislature. This Act and this particular determination will potentially have a profound effect on the allocation of all state revenues in the future.*

Local Taxes

- **Assessed Valuation** - The value of all property within a County as assessed and determined by each County's Tax Assessor's Office multiplied by the assessment ratio of each property class.
- **Assessment Ratio** – the component of the formula for Assessed Valuation by which the market value of a property is multiplied to determine its AV. Can be 4% (owner-occupied homes, agricultural properties), 6% (commercial rental properties, autos, the basis for many fee-in-lieu agreements, second homes), or 10.5% (commercial businesses, normally small business enterprises).
- **Ad Valorem Tax** – A tax based upon the assessed value of property. The term "property tax" may be used interchangeably with the term "ad valorem tax".
- **Mill** - One one-thousandth (1/1000th) of a dollar. Normally applied to the collective Assessed Valuation of a tax district to determine the amount that one mill of taxes will bring in. Also the unit of measure for a tax levy.
- **Millage** - Amount set by the taxing authority for the governmental unit within which the property is located to fund either operations or debt service.
- **Tax Levy** - the imposition of a tax, stated in terms of "millage," against all appropriately located property by a governmental body authorized by law to impose ad valorem taxes.