

# FINANCIAL MANAGEMENT FOR GEORGIA LOCAL UNITS OF ADMINISTRATION

Date Issued	Effective Date	Section	Title:
August 2008	Fiscal Year 2008	II	Financial Reporting
Revision No.	Date Revised	Chapter	Title:
2	June 2021	II-6	Closing the Fiscal Year and Various Reporting Requirements

## INTRODUCTION

Georgia Code Section 20-2-167 requires Local Units of Administration (LUA) to report annual financial operating data and to submit approved annual budgets to the Georgia Department of Education (GaDOE). GaDOE provides for this information to be submitted electronically. This chapter explains the content of the report.

O.C.G.A. §20-2-167(b), which states, in part, “(1) The State Board of Education shall establish a computerized uniform budget and accounting system as a component of the state-wide comprehensive education information system established pursuant to Code Section 20-2-320 and shall establish uniform regulations to be implemented by local units of administration. The computerized uniform budget and accounting system shall conform to generally accepted governmental accounting principles which shall include, but not be limited to, the following costing information: (A) Instructional program involved; (B) Whether basic education or enrichment in purpose; (C) Fund source or sources; and (D) Major program components such as instructional personnel, instructional operations, facility maintenance and operation, media center operation, school administration, system administration, staff development, or professional development. (2) The state board shall prescribe information that must be submitted to the state board and the time it must be submitted. In determining the information needed and the time for submission, the state board shall take into consideration the information and times identified by the Office of Student Achievement as necessary to the implementation of the accountability program provided for in Part 3 of Article 2 of Chapter 14 of this title.”

State Board Rule 160-5-2-.21 – Annual Financial and Budget Reports was enacted to meet the obligations of the above-stated Georgia Code Sections.

It is very important to meet reporting deadlines so the Financial Review Division can meet external Federal agency reporting requirements and deadlines. Also, Financial Review receives requests for this data from state legislators, state agencies, and others.

## **Annual Financial Report**

The annual financial report provides information to GaDOE for statistical accumulation and analysis, reporting to the federal government, and monitoring legal compliance relating to financial management. The annual financial report is also used in certain calculations such as the Minimum Direct Classroom Expenditures test, the Indirect Cost Rates calculations, General Fund QBE Program Expenditures Summary Report, the Title I and Special Education Maintenance of Effort tests, and the financial efficiency star rating. The financial data is also provided to the Governor's Office of Planning and Budget in accordance with O.C.G.A. 20-2-68. In addition, the GaDOE provides a copy of each LUA financial report to the Georgia Department of Audits and Accounts (DOAA).

See the website for annual data transmission dates, submission instructions, and a year-end submission checklist that is updated annually.

File specifications are available for transmission of a text file with required data. The current file specifications can be found on the Financial Review website.

### **Financial Data Presentation**

The financial transmission produces two reports – a listing of all accounts by individual fund and a summary listing of all accounts rolled into one fund.

#### Listing of Accounts by Fund

The listing of accounts by funds will list the system number and name first, followed by the fund number. The balance sheet accounts are listed next. Current assets and deferred outflow of resources are reported first and begin with object code 01XX. Total current assets and deferred outflow of resources are reported using account 0100. Current liabilities and deferred inflow of resources are then reported with object codes 04XX and 05XX and totaled using accounts 0400 and 0500. Fund balance accounts (07XX) appear last with a total for fund equity shown as 0700 balance. The total liabilities (0400 and 0500) is added to total fund equity (0700) to obtain the total liabilities, deferred inflow of resources, and fund equity (0900). This total (0900) must balance with the total current assets and deferred outflow of resources (0100).

Expenditures are reported next by function (1000-5100) and object (110-990). Totals are included after each functional area. A total of all functional areas is reported using account 7000. The end of fiscal year fund equity is reported in account 0004 and should agree with the amount reported on the balance sheet report, account 0700. A total for all debit accounts (all functional totals plus account 0004) is presented for account code 9000-000.00.

Revenues by source follow the expenditure accounts. Local (1XXX), State (3XXX), Federal (4XXX) revenues, Other Financing Sources (5XXX), and Other Items (6XXX) are subtotaled by source and totaled by all sources (6000). The beginning fund equity account (0001) and any adjustments to the beginning balance (0002) result in the current fiscal year beginning fund equity (0000). Total credits are shown for account 9000 (all sources 6000 plus

accounts 0001 and 0002). Total debits must equal total credits for the fund to be in balance.

A final check of balances for the fund is presented next. Total Credits should equal Total Debits. Total Assets plus Deferred Outflow of Resources should equal Total Liabilities, plus Deferred Inflow of Resources, plus Fund Equity. End of current year fund equity should equal fund equity reported for account 0700, and end of prior year fund equity should equal beginning of the year fund equity.

The information explained above will be presented for each fund in the accounting system. Also presented are funds for Capital Assets (Fund 801) and General Long Term Debt (Fund 900), which are included in the district-wide, or governmental activities, of the entity

Major categories of Capital Assets and associated Accumulated Depreciation are listed for accounts (02XX). Total capital assets, net of accumulated depreciation, are listed by account 0700 (Fund Equity) and again as 0900 (Liabilities and Fund Equity Control Totals). Depreciation expense categorized by function and major capital assets follows the balance sheet accounts. Total expenditures and other uses are listed for account 7000. End of fiscal year fund equity (0004) must agree with ending fund equity (0700). Total debits must equal total credits for the fund. Balancing totals for Fund 801 are presented as described above.

Fund 900 presents long term liabilities (0500) and long term portions of current liability accounts (i.e. 0423, Compensated Absences Payable). The debit offsetting the liabilities is either to the control total, Amounts to Be Provided (0304), or to the various revenues and expenditure accounts which offset the reductions or additions to the long term liabilities posted in the governmental funds (200, 300, etc.). The fund must balance with total assets and deferred outflow of resources equal to total liabilities and deferred inflow of resources and fund equity. Equity accounts will appear in this fund. Balancing totals for all debits and credits are presented for this fund as well.

#### Summary of Accounts for All Funds

A separate report that summarizes all accounts across funds is also produced. It is identified after the system name and number as "Total All Funds". Review the final totals page to make sure the report is in balance. See sample report for Total All Funds found in Appendix Chapter VII-9-1 Sample 2.

#### **Budget Data Presentation**

The annual budget report is reported in the same format that LUAs use to submit annual financial data. See the Financial Review website for [annual data transmission dates](#). For more information regarding the reporting information, see Financial Data Presentation above.

Information regarding budgetary regulations, laws and procedures is found in Chapter IV-2. In addition, information regarding budgeting and reporting for LUAs with governmental fund deficit balances is found in Chapter II-8.

### **Level of Detail Required**

The State Board Rule, 160-5-2-.21 – Annual Financial and Budget Reports requires each local unit of administration to prepare its financial and budget reports by fund, revenue source, function, program, object, and school/facility/program code, conforming to the format provided by the Department.

Due to the timeline for preparing financial statements to present for audit and CAFR purposes, it is recommended that the Annual Financial Report is as close to the final report as possible. All adjustments for capital assets, long-term debt, etc. should be posted to the Annual Financial Report.

The applicable school code is required when posting revenues and expenditures related to the operations of a school. A school, for financial reporting purposes, is defined as a FTE/QBE reporting entity. One or more schools (and school codes) can be attached to a single facility.

The applicable facility code is required when posting revenues and expenditures associated with the building, construction, additions, modifications, and renovations for each physical location using the same facility code that is approved in the Local Facility Plan. Facility, for financial reporting purposes, is defined as a building or group of buildings that are used for educational purposes. The facility code will generally be utilized in the capital projects funds, and in the General Fund when associated with maintenance and operations of a building, should the district budget those expenditures to the facility instead of the school. Instructional Facility Codes implies that the building or group of buildings will accommodate students and staff. Administrative Facility Codes are used for non-instructional purposes but still report CPI (Certified/Classified Personnel Information). Examples of Administrative Facilities include Central Office and the Transportation Garage. The facility codes for centralized operations (80XX) are utilized for expenditures that cannot be adequately allocated to a specific school.

There are certain situations that utilize a school/facility code that relates to a program. It is important to not confuse this code with the program code that follows the state appropriations or other state and federal grants. The program that relates to a school/facility code are for non-FTE reporting entities in which students are enrolled in programs, but are counted back to their respective home schools for FTE determinations. An example of a program is the alternative program (when a school has not been created). The alternative program is usually defined as a program because it serves students from several different schools, and the FTEs are not reported for the alternative program but for the school in which the student is assigned.

No activity shall be recorded at the centralized level unless the activity cannot be reasonably allocated to a school or program within the LUA. For example, all salaries of employees

assigned to a particular school shall be recorded on the financial records using the applicable school code. Any salaries of employees that are assigned to the central office, but only serve designated schools, shall be recorded based on an allocation to the selected locations served.

All financial and budget activity for each school or program within the LUA is required to be reported. There are no separate collections of data from individual schools within the LUA.

### **Data Transmission Extensions**

The State Board Rule, 160-5-2-.21 – Annual Financial and Budget Reports prescribes requirements for the annual financial and budget reports transmissions to the Georgia Department of Education. The Rule requires the reports to be transmitted by a date prescribed annually by the Department unless an extension is granted.

The deadline for submission is generally set for September 30, which is 3 months after the fiscal year end. This allows the local units of administration with ample time to ensure the financial and budget records are adequately closed in accordance with generally accepted accounting principles.

Extensions to the deadlines will no longer be approved except under extenuating circumstances. If an LUA is unable to meet the target date of September 30<sup>th</sup>, the LUA will be reported as noncompliant.

### **Data Transmission Detail**

The data presented in the data transmission must be reconciled to the LUA's accounting records. It is recommended that a preliminary financial report be produced prior to final closing of the records. When this preliminary report has been prepared, any errors discovered must be corrected in the accounting records. This section explains the process to review the financial data prior to transmission. Also, please review the GaDOE Financial Review Website and the GADOAA website for further information regarding the closing of the fiscal year.

### **Review of Balance Sheet - General**

Review balance sheet accounts fund by fund to verify that accounts with negative balances are correctly reported as negatives and take appropriate action to correct errors. Example: Accounts Payable 0421 has a normal credit balance and should not report a negative or debit balance. A payable in the 047X range could report a negative balance if a payroll withholding vendor has been overpaid.

Verify that assets (plus deferred outflows of resources) equal liabilities (plus deferred inflows of resources) plus fund equity for each fund.

## Review of Current Assets

**Cash (0101)** - Reconcile cash as of 06/30/XX. The balance in the general ledger account 0101 for a fund includes cash in all banks for that fund. The fiscal year should not be closed with cash out of balance. Verify that any existing negative cash balances in Cash 0101 for all funds are valid. Verify that an Interfund Accounts Receivable (0132) and/or investment is recorded in a fund with a negative cash balance. If not, this may be interpreted as an accounting error or a failure to accrue revenue and/or transfer funds from another fund prior to closing with the exception of School Nutrition.

Review outstanding check lists. If checks are outstanding more than six months, review to determine appropriate action. Refer to <http://dor.georgia.gov/unclaimed-property-program> for rules regarding unclaimed property for checks that do not clear.

**Investments (0111)** - Redeem investments that will mature as of 06/30/XX. Accrue interest on investments that are earned as of 06/30/XX, but not received, if considered to be available. Use Balance Sheet Account 0114 - Interest Receivable and revenue source code 1500.

Verify that available investment reports are in balance with GL Balance Sheet Account 0111- Investments fund by fund. Money Market accounts (with maturities less than three months) should be included in GL Investments - 0111.

**Interfund Accounts** -Verify that Interfund Loans Receivable 0131 is in balance with Interfund Loans Payable 0401, Interfund Accounts Receivable 0132 is in balance with Interfund Accounts Payable 0402, and Advances to Other Funds 0133 is in balance with and Advances from Other Funds 0403 in total for all funds. These balance sheet accounts are typically used when one fund loans another fund money that will be repaid. Refer to the chart of accounts for guidance regarding which account to use. Do not use for Debt Service activity in the Fund 2XX series.

Process applicable reports to verify that the Transfers Out (Expenditure Account 5000-930) balances with the Transfers In (Revenue 5200) in Total for All Funds. If one fund reports a Transfer Out then another fund should report a Transfer In. This is a reporting error that should be cleared. Errors may be corrected via journal entry.

**Taxes Receivable (0121)** - Enter a receivable in Fund 100 and Fund 200 for amount of estimated July and August ad valorem tax revenue. Use Balance Sheet Account 0121-Taxes Receivable and 1110 Ad Valorem Taxes for this transaction.

Examine SPLOST funds received to date. Any funds that have been collected but not received should be recognized and estimated as Taxes Receivable 0121 and SPLOST Revenue 1130. These funds are considered measurable and available as current resources to pay current expenditures. Any reasonable method can be used to estimate these amounts, i.e. last year's collections or last year's collection with a growth factor.

**Intergovernmental Accounts Receivable (0141)** - Verify that all accruals from the previous fiscal year have been reversed. Typically grant funds are disbursed on a reimbursement basis. This means the school district must incur eligible expenditures under the terms of the grant agreement before they are allowed to request reimbursement. Revenue is always recognized to the extent that eligible expenditures have been incurred and funds are available under the grant agreement.

Most Special Revenue Funds (individual grants) will maintain a zero fund balance, i.e. revenues will equal expenditures. If the district has expended more than received, an Intergovernmental Accounts Receivable should be recorded and credit revenue to bring fund balance back to zero if grant funds are available. If the district has spent more than the grant award and a receivable cannot set up to bring the fund balance to zero, a transfer from the General Fund will be necessary.

QBE revenue accruals for July and August should be entered using QBE 017 report for the current year. This report is not available until the latter part of June. Prior year QBE revenue accruals should be cancelled prior to posting the current accrual. Use QBE017-Accrual System Allotment Sheet report for prior year to reverse and access report from that menu.

Adjust accounts receivable to accrue federal program revenues for summer salaries and benefit accruals.

For construction projects funded by the State, a receivable should be recorded for the June invoice and possibly the May invoice if reimbursements have not been received. Keep in mind that GSFIC projects withhold 10% of available funding until the completion certification letter is obtained, and therefore the revenue cannot be accrued until all compliance requirements are met.

**Accounts Receivable (0153)** - Verify that the accounts receivable detailed reports are in balance with Accounts Receivable 0153 account by fund as of 06/30/XX.

**School Food Nutrition Purchased Food Inventory (0171)** - Verify account reports an accurate balance that is not "negative". If necessary, adjustments should be made.

**School Food Nutrition Inventory - U.S. Department of Agriculture (USDA) Commodities (0173)** - Verify account reports an accurate balance that is not "negative". If necessary, adjustments should be made.

### **Review of Current Liabilities**

**Intergovernmental Accounts Payable (0411)** – Verify that all accruals from the previous fiscal year have been reversed. If the district has drawn down more money than it has expended and the grant requires expenditure by June 30th, the district should enter an adjustment to an Intergovernmental Accounts Payable and debit the grant revenue account.

Process applicable reports for categorical grants to verify that funds are fully expended as of 06/30/XX. Any unexpended amounts have to be refunded to Department of Education upon request with exception of Bus Replacement funds.

**Accounts Payable (0421)** - Verify that accounts payable reports (List of Open Payables, etc.) are in balance with control accounts by fund as of 06/30/XX. Accrue liabilities for any goods or services received prior to or on June 30. Enter all invoices that are dated prior to or on 06/30/XX, if accompanied by an appropriate receiving report. This will record the expenditure in the current year, which can be paid on 06/30/XX or in the next fiscal year.

**Salaries and Benefits Payable (0422)** - Enter any salary/benefit accruals where services were performed but salaries were not paid as of 06/30/XX. These are separate from the QBE summer salary accruals.

Accruals for expenditures incurred but not paid, including expenditures for contracted employees' salaries, is required. Summer salaries affect all those employees that are not contracted to work 12 full months. This includes teachers, bus drivers, and certain eleven-month employees. Debit the appropriate expenditure accounts and credit account 0422. If the accrual from the previous fiscal year is still recorded in account 0422, reverse this amount by debiting account 0422 and crediting associated expenditure accounts prior to posting the current year's entry.

Accrue summer salary and benefits for federal programs, including school nutrition programs.

**Unavailable/Unearned Revenue (0481)** - If a grant allows expenditures subsequent to June 30 and the district has received more grant revenue than spent, the difference should be reclassified as a credit to Unavailable/Unearned Revenue 0481 and a debit to revenue.

### **Review of Fund Balance Accounts**

**Reserved Fund Balance (0751-0780)** - If any fund balance reserve account shows a "negative" balance, a journal entry should be posted to close this into 0799 (governmental funds) or 0740 (Proprietary and Fiduciary Funds) as applicable. Credit the 07XX Fund Balance Reserve and debit 0799 or 0740. Please note that GASB 54 requires fund balance to be classified as either Nonspendable, Restricted, Committed, Assigned, or Unassigned. For simplistic purposes, this paragraph refers to all designations as "reserved."

Review the balance in Account 0002-Adjustments to Fund Balance on the financial report for each fund. Excessively large amounts reported here may indicate there are accounting errors that need to be corrected before closing the fiscal year.

## **Review of Revenues**

### **General Review**

1. Confirm that revenues are posted in the correct fund.
2. Review items to ensure they are in the correct revenue source.
3. Confirm that revenues reported are reasonable.
4. Verify that the only negative revenue amounts are reported except for source 3124 QBE Contra Account - Austerity Reduction and , 3140, Local Fair Share.

### **Local Revenue (Accounts 1000)**

1. Confirm any appropriation from a city or county is reported in account 1170.
2. Verify that federal indirect cost revenue is reported in the general fund in account 1990 and that it agrees with total federal indirect costs recorded in account 2300-880 for all funds.
3. Confirm that Food Service daily sales are reported in accounts 1611-1623 in fund 600.

### **State Revenue (Accounts 3000)**

1. Account 3120 (Budget Report) should agree with "Total QBE Formula Earnings" on latest allotment sheet. Account 3120 (Financial Report) should agree with "Total QBE Formula Earnings" plus Mid-Term Adjustment on latest allotment sheet.
2. Account 3124 (QBE Contra Account - Austerity Reduction) should be reported as a negative amount (i.e. debit).
3. Account 3125 (Financial Report) should agree with the total of all categorical grants listed on the latest allotment sheet except Mid-Term Adjustment.
4. Account 3200 should agree with "Educational Equalization Funding Grant" amount on the latest allotment sheet.
5. Account 3140 (QBE Contra Account – Local Fair Share) should be reported as a negative amount (i.e., a debit) and should agree with total Local Fair Share shown on the latest allotment sheet.
6. Substantiate that state revenue does not appear in federal funds 470, 480 or 490.
7. School food service state revenue should be reported in account 3510.
8. Capital projects revenue from the state, regardless of the source, should be reported in account 3600.

### **Federal Revenue (Accounts 4000)**

1. Funds 470, 480 and 490 should have federal revenues reported in account 4520.
2. School food service should have federal revenues recorded in accounts 4510/4511.

### **Other Sources (Accounts 5000)**

1. Total incoming transfers (account 5200) must agree with total transfers to other funds (account 5000-930).
2. Account 5995 normally is used as a clearing account and should have no balance reported at year-end.

## Review of Expenditures

### General Review

Scan expenditures reported in the Financial Report for the following:

1. Items reported in the incorrect fund.
2. Items reported in the incorrect function and/or object.
3. Reasonableness of amounts.
4. No negative expenditure amounts exist.

### Review by Accounts

1. Verify that Employee Benefits are reported in Objects 210, 220, 230, etc. for all functions according to the State Chart of Accounts. Employees' benefits should be reported in the same functions as their salaries are reported.
2. Review expenditures to verify that no expenditure account reports a large negative balance. An account may report a negative balance as a result of a difference between the amounts accrued and actually paid for the prior year but the amount should not be excessive.
3. The superintendent's salary should be reported only in the General Fund account 2300-120.
4. Travel should be reported as follows - Superintendent – Account 2300-580, Board Members – Account 2300-585 (unless paid through payroll in object code 111), Employees -Object 580 ordinarily in the same function as the employees' salaries.
5. Per Diem for board members should be reported in account 2300-310.
6. Only Professional Development Stipends should be reported in account 100-2210-116.
7. The federal indirect cost (account 2300-880) total for all funds must agree with federal indirect cost revenue reported in the general fund (account 1990).
8. Function 5100 only can be used in fund 200, and it should be the only function reported in fund 200.

### Special Areas

#### QBE Expenditures –

Ascertain that Mid-Term Adjustment, if any, has been applied properly (for the financial report).

**School Nutrition Fund 600-** If School Nutrition records are maintained on software that does not interface with the district's accounting records, make appropriate entries to enter this activity into Fund 600 using system wide totals. This financial information must be included on the Financial Report for state reporting purposes.

**Capital Assets Fund 801 -** Record Capital Assets of all Governmental Funds in Fund 801 using system wide totals via journal entry. Example: To record total value of all schools, debit Balance Sheet Account 0231-Buildings and credit Balance Sheet Account 0711-Net Capital Assets in Fund 801. Adjust the year end balances by increasing or decreasing current year revenues and expenses, depending on the activity. Capital Asset additions require a debit to the Asset balance and a credit to the expenses, thus eliminating the effect

of the expenditures incurred in the current period and reported in the governmental funds. Depreciation will result in a Credit to the Asset – Accumulated Depreciation account and a debit to current year expenses.

Verify that Capital Assets for School Nutrition, Fund 600, are included in totals for Fund 801. If tracked in a separate 8XX fund, adjust Fund 801 to include these for state reporting. For those districts that operate the School Nutrition Program as a Proprietary Fund, (which requires the general ledger to use the accrual method of accounting as opposed to the modified accrual method) the capital assets must be included in Fund 600. The majority of school districts in Georgia consider Fund 600 to be a governmental fund. Hence, the capital assets associated with the School Nutrition Program are reported in Fund 801.

Record Capital Assets of Proprietary and Fiduciary Funds within the individual funds as required.

Post accounting entries to record the acquisition of new capital assets during the current fiscal year.

Post entries to record sale of any asset during fiscal year. Example: School bus was sold and proceeds receipted into 100-5300-Sale or Compensation for Loss of Assets. Purchase price was \$50,000 and accumulated depreciation is \$10,000. Post this journal entry: Debit 801-0711-Net Capital Assets for \$40,000, debit 801-0242-Accumulated Depreciation-Equipment for \$10,000 and credit 801-0241-Equipment for \$50,000. Any other disposals of capital assets must also be recorded. Other disposals of assets, other than by sale, should be recorded as well.

Calculate depreciation for current fiscal year as of 06/30/XX, and record in Fund 801 for the Governmental Funds. Depreciation expense must be posted by function based on where asset is in use. For example, if a building is used for instruction, post a journal entry to debit Depreciation Expense 801-9990-1000-742 and credit Accumulated Depreciation-Buildings 801-0232. Use Facility 8010 to designate system wide and set up expense accounts to close into 0711 not 0799 at fiscal year-end.

Verify that Fund 801 does not report any positive expenditures for acquisition or purchase of Capital Assets. These expenditures should be reported in the General Fund, Capital Projects and other funds. In the Capital Asset fund, the acquisition results in a decrease (i.e., credit) to expenses.

Review the general ledger accounts. All items being capitalized should be recorded in the 700 object codes. If there are items in these accounts that do not meet the district's criteria for capitalization, these items must be reclassified to 0615 or 0616.

**Capital Assets, Construction in Progress** - Record Construction in Progress for all building programs that have been started but not completed as of 06/30/XX. Omission of this data may result in an audit finding. Record by journal entry: Debit 801-0251-Construction in Progress and credit the applicable expenditure accounts. No depreciation is generally recorded until a building is completed and in use.

Make appropriate entries within the Capital Projects Fund 3XX series to clear negative balances in general ledger accounts. Example: Fund 310-New High School reports negative cash balance. Record a Transfer Out (9990-5000-930) of Fund 302 Bond Proceeds or General Fund (100) into Fund 310-5200 (Transfers In).to cover the shortfall.

Record any General Fund transfer to Capital Projects for "required" local match for Georgia State Financing and Investment Commission (GSFIC) projects. Debit 100-9990-5000-930-Transfers Out and credit 100-0101-Cash and debit 3XX-0101-Cash and credit 3XX-9990-5200-Transfers In via journal entry. Disburse a check from general operating bank to capital projects bank if capital projects funds are maintained in different bank.

If a significant amount of capital outlay expenditures have been charged to General Fund 100, set up a new Fund 3XX for Local Capital Projects and transfer the activity to the new fund. Capital Outlay expenditures charged to Function 4000 in Fund 100 may negatively impact the calculation of the Equalization grant.

Ensure that June construction invoices are recorded in the proper fiscal year. These invoices should be received within the first couple of weeks in July. Normally, construction invoices have a retainage clause where monies are being withheld from the contractor. This is usually in the 5% to 10% range. These funds are a liability of the district and should be recognized as an expenditure and recorded as retainage payable at year end. This entry should be reversed in the next fiscal year to prevent overpayment to the contractor.

**Principal Accounts** – Recording Principal Accounts to general ledger is required for financial reporting. This activity is reported on the cash basis. See Chapter V-5 for further detail on school activity accounts and reporting instructions with the implementation of GASB Statement 84 effective July 1, 2020.

Segregate school accounts into Governmental Funds (Fund 500), Student Activity Funds (Fund 705), etc. based on who controls the funds, approves disbursements, etc. If accounting records are maintained at the schools on the same software that is used at central office, verify that general ledgers for related funds are in balance. Reclassify the various funds to Funds 500 and 705 in the State Chart of Accounts for state reporting purposes.

If school accounting records are not maintained on same software as district office, verify that school accounting records are in balance. Segregate activity into Governmental or Agency Funds 500, 705, etc. Enter financial activity into district accounting records via journal entry prior to closing fiscal year. Districts are required to record the activity by school in the financial analysis report.

To record revenues for governmental funds by journal entry: Debit Cash 0101 and credit Revenue Sources 1210, 1215, 1220, 1225, 1230, etc. in Fund 500.

To record expenditures for governmental funds by journal entry: Debit expenditures in the various functions and objects using Facility Code 8010 (system wide) and credit Cash 0101 in Fund 500.

To record revenue for agency and trust funds by journal entry: Debit 0101 Cash and credit applicable revenue codes.

To record expenditures for agency and trust funds by journal entry: Debit Expenditure account(s) and credit Cash 0101 if payment has been made. If invoices are outstanding, Debit Expenditure account(s) and Credit Accounts Payable 0421.

**Long Term Debt** - Verify that all bond sales have been recorded in the accounting records. GAAP require bond sales to be recorded at gross proceeds with the cost of issuance recorded as an expenditure in 5100-810. The Other Financing Sources to record the proceeds of bond issues should be segregated into the gross amount of the bonds (5100) and any premium or discount on issuance (5120).

For all bonds sold, record the liability in Fund 900 by debiting the applicable other financing source account reported at the fund level, debiting Deferred Charges 0185 for issuance costs, debiting Discount on Issuance of Bonds 0194, and crediting General Obligation Bonds Payable 0511. If a premium is received upon issuance of bonds, credit 0443 Unamortized Premium on Issuance on Bonds.

For all bonds redeemed, reduce the liability in Fund 900.

Refunding bond issues should be recorded in the accounting records. In the past, school districts have not recorded refunding transactions. Record as both an Other Financing Source and Other Financing Use.

**Purchase Orders** - A purchase order "encumbers or sets aside" a portion of the budget and reduces the amount available for future use. The purchase order should be liquidated and an expenditure created when shipment of goods is received. An expenditure represents an actual obligation to pay.

Close open Purchase Orders that should not be transferred to new fiscal year. If the appropriated budget for the new fiscal year is increased by an amount of "Carry Forward" purchase orders, this should be considered during budget development.

Open Purchase Orders should be transferred to the new fiscal year using procedures applicable to the LUAs software. This should be done after all current year PO's have been entered into the system.

Verify that available purchase order reports agree with GL Encumbrance accounts 0603 and 0753 by fund as of 06/30/XX. Accounts should not report negative balances.

**Employee Payroll Withholding Fund** - If this activity is recorded in a separate fund, verify that it is in balance as of 06/30/XX. Revenue should equal expenditures and cash should equal payables to keep the fund in balance.

Make necessary accounting entries to get the fund in balance. If unable to correct errors within the fiscal year, set up payables and/or receivables to applicable balance sheet accounts as necessary. Take appropriate action to correct errors in the next fiscal year.

**Additional Entries as Necessary** - Depending on the activity of the LUA, there may be other concerns that need to be addressed when closing the fiscal year, prior to submitting the financial analysis report. Please refer to additional resources on the GaDOE Financial Review website and the GA Department of Audits and Accounts website.

## **Review of Data**

In this section the transmission of the annual financial analysis and budgetary reports is discussed

Process current fiscal year information for current status. Transmit this file through Error Checking until notified that Data Transmission is open. Error Checking is the process of uploading a monthly financial report so districts can determine if there are any errors in the data that must be corrected. The Financial Review Division recommends uploading a file on a monthly basis to ensure timely submission of the fiscal year end data. The monthly reports are not maintained by GaDOE.

The financial analysis report can be transmitted through Error Checking during the year and errors cleared in a timely manner. Correct all E code errors and retransmit file to verify that it is error-free. File may be transmitted as many times as necessary to correct errors until reporting deadline.

Print FIN003 Financial Analysis report and the General Ledger for any fund that reports balance sheet errors. Compare account balances and evaluate differences. (Note: the status of the Payroll Withholding Fund may be a factor.) Review journal entries to verify that account types are correct and make correcting entries if necessary. Verify that cash, accounts payable and other balances are correct. Isolate any and all problems before resolving any issues.

## **Preliminary Financial Report**

Review warning messages to see if further action needs to be taken. Some warnings need to be cleared to ensure that good business practices are followed, that records are properly maintained, reports are accurate, and money will not have to be returned to the state treasury. Transmit a "preliminary" report and verify that it is error free just prior to closing fiscal year.

## **Finalizing Financial Report**

The fiscal year must be CLOSED before performing the following procedures. It is important that you follow these steps as listed. If the Financial Report is finalized prior to closing the fiscal year, the district will not be transmitting the final file as required by the approval process. This can result in errors of reconciliation between fiscal years and the transactional history submitted to the Georgia Department of Audits and Accounts in accordance with the Transparency in Government Act. Please remember that the LUA Superintendent or Director is required to sign off that the report submitted is the final, approved financial report for the LUA.

Process and transmit a final Financial Report. All E code errors should be cleared BEFORE closing fiscal year. Sign-off on report by required deadline. Sign-off is only available for the Superintendent through the portal. Performing these steps in the order specified will ensure that ending fund balances agree with beginning fund balances in new fiscal year. Otherwise, a written explanation has to be provided.

Print one or more copies of all available budget and financial reports on the web after signing off. Retain one set of reports as permanent financial records for the LUA. Most reports can be saved as PDF files for printing later if necessary.

Print the DE46 Actual and Budget Sign-Off Reports on the web portal for verification after Superintendent Sign-Off and date and time stamp. Additionally, these reports can be run before sign-off without date and time stamp and will give fund summary totals for a quick view of totals by funds for Beginning Fund Balance, adjustments to fund balance, revenues, expenditures and ending fund balance prior to sign-off. A sample of the DE 46 Actual Sign-Off Report is shown in Appendix Chapter VII-9-Sample 4.

## **Finalizing Budget Report – Current Year**

Process/transmit an "Amended or Final" Budget for "current fiscal year". Print and review summary and detail error and warning reports. Please note when reviewing this report, Budgets do not report Balance Sheet Accounts. Review warning messages to determine if any require further action. All E code errors should be corrected and the file retransmitted to verify its status. Print Financial Comparison reports available on the web and review. These reports compare budget to actual expenditures by facility. Sign-off on budget report is required by deadline, and is only available for the Superintendent/Director for each LUA through the portal. Please note that this finalized budget report, by district and by school, is subject to be reported in accordance with the Transparency in Schools bill (HB 139).

## **Finalizing Budget - New Fiscal Year**

Process/transmit an "Original" Budget for the new fiscal year to review the status. Print/review the summary and/or detail error and warnings report. Please note when reviewing report, Budgets do not report Balance Sheet Accounts. Review warning messages to determine if any require further action. All E code errors should be corrected and the file

retransmitted to verify its status. File may be transmitted as many times as necessary.

Review the FIN010 Budget Analysis report for each fund for accuracy. **Verify that the report includes budgets for funds other than General Fund 100.** School Nutrition Fund 600 should report a budget as well as the federal programs. If federal program budgets are not approved prior to report deadline, the same amount budgeted in the previous year should be utilized and the budget amended after approval.

Verify that no fund projects a negative Ending Fund Balance in Account 0004 as of 06/30/XX. If General Fund 100 is projecting a deficit and it cannot be eliminated in the new fiscal year, a Deficit Elimination Plan must be filed. School Nutrition may be in deficit but a projected deficit in other funds should be corrected since this would not be a balanced budget for these funds.

After the fiscal year is closed, a "final" report should be submitted and signed-off by the Superintendent/Director through the portal by the required deadline.

### **Prepared Financial Statements**

There are certain adjustments that are necessary for an LUA to present completed financial statements for presentation and audit that may not be included on the Annual Financial Analysis Report submitted to the Georgia Department of Education. Final Financial Statements prepared in accordance with GAAP are required to be submitted to the Georgia Department of Education no later than December 31<sup>st</sup> following the June 30<sup>th</sup> fiscal year end. This deadline of six months after the close of the fiscal year allows the audit cycle to be more timely, and provides better quality financial data to decision-makers such as board members and citizens. All LUAs, regardless of the firm conducting the audit, are required to submit completed financial statements to the GaDOE portal by December 31<sup>st</sup>. The financial statements should include the MD&A, Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information. Any district that does not provide financial statements by that date will be considered non-compliant to the deadline set forth in this Handbook.

### **Additional Reporting Requirements**

The Official Code of Georgia requires LUAs to submit additional financial information to various agencies. The following is information required to be submitted.

### **Report of Salaries and Travel Expenditures**

Georgia Code Section 50-6-27 requires the state auditor to “prepare each year a report showing the entire personnel of... every local board of education”. Each LUA is required and directed to submit to the state auditor, in a format prescribed by the state auditor, a listing of all personnel showing name, title or functional area, salary, and travel expense incurred by each individual. The report shall be kept in the state auditor's office and shall be available for public inspection during regular business hours. Copies of the report or portions of the report shall be made available on request.

The Report of Salaries and Travel Expenditures, CS-1, is a report of all employees' salaries and travel expenditures. Salary is recorded on a cash basis and should reconcile to the general ledger. Travel is reported on an accrual basis and should reconcile to the general ledger.

Accruals for salary are reconciling items when balancing the CS-1 report to the accounting records. Previous year accruals are added to the expenditure accounts, and current year accruals are subtracted from the general ledger expenditure accounts to balance to amounts reported on the CS-1.

Additional resources are available at <http://www.audits.ga.gov/EAD/SchoolDistrictResources.html> under Transparency in Government Act.

### **Transparency in Government Act**

Official Code of Georgia Annotated 50-6-32, requires a report of certain grant and contract payments made or due to vendors as follows: a list of all obligations entered into by the LUA during the immediately preceding fiscal year which call for the LUA to expend at any time in the aggregate more than \$50,000.00 and a list of the names of each person, firm or corporation that has received from the LUA during the immediately preceding fiscal year payments in excess of \$20,000 in the aggregate, including the amount paid to such person, firm, or corporation during such period.

Official Code of Georgia Annotated 48-8-141 requires districts that receive sales tax for educational purposes to submit an annual report of the status of all projects to the Georgia Department of Audits and Accounts for publishing on the searchable website.

Official Code of Georgia Annotated 36-80-21(c) requires within 30 days of final budget adoption for the upcoming fiscal year, "a copy of the budget shall be electronically transmitted in a Portable Document Format (PDF) file to the Vinson Institute (Carl Vinson Institute of Government" and posted on the website by the Vinson Institute as soon as practicable".

In addition, OCGA 36-80-21(d) requires a copy of the LUA audit be electronically transmitted to the Vinson Institute and posted on the website by the Vinson Institute as soon as practicable.

A "user account" must be created to utilize the searchable website at the Vinson Institute, and can be created at the following: <https://ted.cviog.uga.edu/financial-documents/user>

### **Federal Audit Clearinghouse**

OMB designated the Census Bureau as the National Clearinghouse (or Federal Audit Clearinghouse - FAC) for the receipt of Single Audit Reports from state and local governments (later to include nonprofit organizations). In this capacity, the Census Bureau serves as the central collection point and repository for audit reports prepared and

submitted under provisions of the Single Audit Act of 1984 (amended in 1996) and OMB Circular A-133. All data are provided to the public through a data dissemination/query system at the Federal Audit Clearinghouse website.

### **Illegal Immigration Reform and Enforcement Act Reporting**

**House Bill 87, also known as the Illegal Immigration Reform and Enforcement Act of 2011,** was passed during the 2011 session of the Georgia General Assembly and was signed by Governor Nathan Deal on May 13, 2011.

During the 2013 session of the General Assembly, Senate Bill 160 was passed and was signed by the Governor Nathan Deal on April 24, 2013. Among the Provisions of this bill were amendments to House Bill 87 and the consolidation of the annual compliance reports into one report to be submitted to the Department of Audits and Accounts.

These bills, status history, votes, and sponsors can be viewed on the Georgia General Assembly's website: [legis.ga.gov](http://legis.ga.gov).

### **SUMMARY**

LUAs in Georgia must meet a wide variety of reporting requirements that are associated with state and federal laws and compliance reporting requirements. The annual financial analysis report, while unaudited, is the center of all reporting requirements of an LUA. The financial analysis report reconciles to all other state reporting, and provides the basis for the financial statements prepared for audit and CAFR presentation. It is imperative that LUAs ensure the annual financial analysis report is completed in an accurate and timely manner.