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Accounting Newsletter for Arizona School Districts

Capital Assets - Revisited

by Sara Kirk, Audit Manager

With audits for the year ended June 30, 2014 well underway, it has officially been 10 years since the final group of governments was required to implement GASB Statement No. 34.



You may remember fondly the years leading up to your district's implementation of the standard: the performance of physical inventories, historical cost asset valuations, assigning functional categories to each asset, establishment of useful lives for each asset, and, ultimately, implementing a computerized or other system to calculate annual depreciation expense and accumulated depreciation.

But since that point in time, has the process been set on cruise control? If this is case, you should consider celebrating your 10+ year anniversary by doing the following:

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National Recognition for Arizona Districts

by Diane Bradley, Partner



Doug Virgil, Ed.D., SFO, Assistant Superintendent for Business Services of **Alhambra Elementary School District** received the International Eagle Award from the Association of School Business

Officials. This award is presented to an individual who exemplifies visionary leadership in school business management. Mr. Virgil was recognized in part because of his development of ongoing maintenance plans for District facilities and fixed assets and an energy-savings program for the District, as well as 129,000 square feet of new

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School Districts Enter the Electronic Era

by Karin M. Smith, MBA, SFO, CFE, Partner

Many school districts are considering the transition to electronic purchases, payments and receipting. Let's first define what we mean by these different electronic transaction methods. Electronic Purchases are those purchases done with a P-Card or credit card. Electronic Payments is the electronic transfer of funds either through an EFT, E-Commerce, or P-Card method. Electronic Receipting is the receipt of funds in an electronic method (i.e., payments made to the district electronically). There are many advantages in adopting these transactions to include stronger controls, less staff time, and less manual processing such as mail costs; however districts also need to consider the controls necessary to implement such transactions.

P-Cards and credit cards require the district select a vendor that provides these options through the traditional procurement methods (i.e., Bid or RFP). Districts should consider if the vendor allows for online management, possible annual or transactional level fees, the ease of navigating the system and the ability to manage multiple

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CPAs and Business Consultants

Capital Assets - Revisited

(Continued from P.1)

1. *Review your capital asset classifications.*

Are the District's capital assets properly and consistently categorized as land, land improvements, buildings, building improvements and equipment? Particular attention should be paid to the treatment of assets paid from Adjacent Ways monies. USFR Section VI-E previously indicated land improvements paid for by the Adjacent Ways Fund should not be included on the listings because such improvements are not district property; however the most recent USFR dated 5/12/14 indicates that generally this is true. However, if Adjacent Ways monies are used to improve district property to assure the safe ingress to and egress from district property directly adjacent to the public way for buses and fire equipment, the improvement would be included on the listing.

2. *Perform a review of useful lives.*

Are the useful lives used by your district for various asset categories appropriate? Many of you may have implemented a useful life table obtained from a GASB 34 implementation manual or from another school district during the initial year of implementation. Do you find that when you review your depreciation reports that you have many assets that are fully depreciated but are still in service? This is an indication that the useful lives assigned need to be lengthened when applied to future asset purchases. For example, you may have established a useful life of 10 years for school buses; however, short bus routes and the presence of a rigorous maintenance program support an average useful life of 15 years for school buses. This type of analysis should be performed for all depreciable asset categories.

3. *Establish and/or update written policies for determining whether certain expenditures will be capitalized or expensed.* It is critical that determinations regarding whether certain expenditures are considered improvements or repairs and maintenance are documented. An expenditure that significantly increases the utility

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National Recognition for Arizona Districts

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construction without the use of any bond funds or funds from the State of Arizona School Facilities Board. For more about the Eagle Awards, and to submit a nomination for 2015, visit <http://bit.ly/ASBOeagleaward>



Congratulations to **Cartwright Elementary, Crane Elementary and Queen Creek Unified School Districts** for receiving the Popular Annual Financial Reporting Award for 2013 from the

Government Finance Officers Association. In order to receive this award, these districts produced reports that provided the general public with information that is readily accessible and easily understandable to individuals without a background in public finance. For more about GFOA's PAFR Award program, visit <http://bit.ly/PAFRawards>



With **87** award-winning districts, Arizona led the nation for Certificate of Excellence in Financial Reporting recipients for 2013 CAFRs. Districts included first-time recipients **Continental Elementary and Kayenta Unified.**

In addition, the following districts were recognized for participating for at least **25 years**:

- | | |
|----------------------------|-----------------------|
| Catalina Foothills Unified | Coolidge Unified |
| Deer Valley Unified | Flowing Wells Unified |
| Glendale Elementary | Mesa Unified |
| Lake Havasu Unified | Murphy Elementary |
| Tempe Union High | Tucson Unified |
| Paradise Valley Unified | Peoria Unified |
| Phoenix Union High | Sunnyside Unified |
| Sahuarita Unified | Tempe Elementary |
| Mammoth-San Manuel Unified | |

Congratulations to all of the award recipients who demonstrated Arizona's commitment to excellence in school finance! ■

The Electronic Era

(Continued from P.1)

levels of security and authority. As with any credit card environment, the district should carefully consider what is permitted to be purchased, when a purchase is considered authorized, which vendors p-card/credit card purchases can be made from and who is making the purchases. Training for the users is critical to success. Ensure users understand the policies and procedures and the potential of personnel action should the policies not be followed.



The use of P-Cards or credit cards does not negate the purchasing approval process, and in many cases it may add procedures to include card user reconciliation and follow-up to ensure that all back-up documentation is submitted in a timely manner. Districts should also ensure that P-Card and credit card statements are paid timely to avoid late fees and interest penalties.

Electronic vendor payments are gaining more and more attention. An electronic vendor payment is the process of sending a vendor an electronic payment, typically through a Visa payable type program. This process eliminates the need for writing checks to accepting vendors. Vendors receive the payment much quicker and districts save costs in printing and mailing checks. Further, many vendors offer rebates and incentives to districts to participate in these programs.

Before signing on to an electronic payment method, districts should consider additional controls that are needed. Reconciliations can prove to be more challenging. Districts must ensure the expenses are accurately reported in their general ledger against the individual vendor (rather than the issuing bank). Bank statements must be diligently monitored due to the increased risk of error and potential for fraud due to the payments being sent electronically.

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Tips for Preparing Your Single Audit

by Michael Paul Rohr, CPA, Senior Associate

The Single Audit Act was introduced in 1984 and established additional requirements for States, local governments, and Indian tribal governments that direct Federal financial assistance programs. The requirements were extended to non-profit organizations in 1990 and OMB Circular A-133 was issued. Many amendments have been implemented since the initial act was established, and under current guidelines, if an entity expends federal awards in excess of the \$500,000, the entity is subject to the requirements set forth in OMB Circular A-133. The Single Audit can be a challenge to many districts; however, below are a few tips to help you prepare for your audit.

Understand the Compliance Requirements:

As auditors, we only review the direct and material compliance requirements for each major Federal program. Simply having an understanding of each applicable requirement is a great first step to ensure the entity is in compliance. Part 2 (Matrix of Compliance Requirements) and Part 7 (Guidance for Auditing Programs Not Included) of the OMB Circular A-133 compliance supplement are great tools to help you determine which requirements the auditor will review during the audit.

Document your controls: As part of the OMB Circular A-133 audit, the auditors are required to document their understanding of the district's internal controls over grant programs using the Committee of Sponsoring Organizations (COSO) framework. Documentation of policies and procedures help drive quality and compliance within an organization. Additionally, it demonstrates that the entity is aware of the requirements, which decreases the likelihood of an internal control weakness. Along with documentation, periodically review the internal control system to ensure it is working properly and employees are correctly following procedures.

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HMU Events

Details and links to online registration can be found at www.heinfeldmeech.com/hmu. For more help, contact Susan at 520-742-2611, x107 or hmu@heinfeldmeech.com.



Payroll Essentials for School Districts (workshop)

Location: Mesa (Mesa Convention Center)

Date: Tuesday, December 9th

Early Bird Pricing Ends: 11/24/14

Registration Ends: 12/1/14

A Beginner's Guide to 1099 Procedures (webinar)

Date: Wednesday, January 7th

Early Bird Pricing Ends: 12/29/14

Registration Ends: 1/2/15

Keep ADM in Compliance (workshops)

Locations/Dates:

Vail, AZ - Wed., February 11, 2015

Mesa, AZ - Thurs., February 12, 2015

Details and online registration available by mid-December!

A School Board Member's Guide to Understanding Audits (lunch workshop)

Location: Phoenix (AZ School Board Assn. office)

Location: Friday, February 27, 2015

Details and online registration available by early January!

Puzzler

Decipher the hidden meaning: (Answer on p. 6)

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The Electronic Era

(Continued from P.3)

Electronic receipting is the final topic in this series. An integrated cash receipting software allows for payments made by students and parents to be made electronically to reduce the cash collection on campus. These systems are becoming more popular in food service programs, book store operations, and student activity fundraisers. The benefit of an integrated cash collection software is the reduction of manual receipting and fewer hands in the cash collection process. Funds are deposited directly to a district authorized bank account rather than the cash coming to the school, then taken to the school office and then delivered to the bank.

Districts need to be cognizant of the controls necessary for a successful program. Deposits must still conform to the USFR requirements. Reconciliations need to accurately track the funds for proper recording and clearing funds to the treasurer must be done in a timely manner.

While many of these options may be an appealing alternative for your district, careful consideration to the controls, policies and documented procedures should be done prior to the implementation. Seeking advice from colleagues who already have implemented these systems can also help navigate any bumps in the road to avoid unnecessary delays. ■

Capital Assets - Revisited

(Continued from P.2)

or extends an asset's useful life should be classified as an improvement. Expenditures for repairs and maintenance return an asset to its normal operating conditions, and thus, should be expensed. Having written procedures in this area will prevent inconsistencies in approach that may result from employee turnover.

If you spend some additional time in these three areas, it will result in more accurate reporting in your district's financial statements. Our team can also help: contact Karin Smith at (602) 277-9449, ext 327 or karins@heinfeldmeech.com. ■

Tips for Preparing Your Single Audit

(Continued from P.3)

Develop a monitoring file: It is beneficial for the organization to keep many of the important documents in one file to provide to the auditor. Within the monitoring file, the entity should maintain contracts, agreements, cross-agency information, OMB Circular A-133 reports, site visits by grantor and correspondence on any issues noted in prior reviews.

Time and Effort Reports: If OMB Circular A-87 is applicable to your grant, time and effort documentation is typically required. If so, ensure procedures are in place for employees to complete timely, credible documentation that represents a reasonable estimate of the time worked on each grant project.

Avoid 'Red Flags': As auditors we look for a few items that often stand out as 'red flags'. First, ensure timely and accurate financial reporting. Late reports often indicate weaknesses in grant management systems. Additionally, cost transfers between programs often look suspicious, especially near year end. If a transfer is required, document the reasoning and confirm the transfer is a legitimate transaction.

Equipment Inventory: If equipment is acquired with Federal funds, take a physical inventory at least once every two years and reconcile the inventory count to your property records.

If your district expends federal awards in excess of the \$500,000, the district is subject to the requirements set forth in OMB Circular A-133. Though the Single Audit requires additional work for your district, knowing the compliance requirements and following simple tasks throughout the year will help ease the burden.

For more information and guidance, the 2014 OMB Circular A-133 Compliance Supplement is available at: http://www.whitehouse.gov/omb/circulars/a133_compliance_supplement_2014 ■

#Giving Tuesday

by Casey R. Good, CPA, Senior Associate

Are you looking for an avenue for your employees and students' parents to give back? Want a great way to raise more awareness of your organization this holiday season? One important event can help:



So what is #GivingTuesday? #GivingTuesday was started in 2012 in an effort to create a national day of giving during the holiday season. In the same way that commercial holidays like "Black Friday" and "Cyber Monday" kick off the shopping season, #GivingTuesday was meant to achieve the same results for charities.

This year, the global #GivingTuesday dedicated to giving back to the community will be on Tuesday, December 2, 2014. Charities, families, businesses, community centers and students around the world will come together for one common purpose: to celebrate generosity and to give.

Don't miss out on this great opportunity to raise money for your organization this winter! Registration for participation is available at www.givingtuesday.org. Then start rallying donors, employees and parents around a united cause this holiday season! ■

Upcoming School District Deadlines

<u>Due Date</u>	<u>Item</u>
November 15	Classroom Site Fund Narrative Results Report due to Superintendent of Public Instruction (A.R.S. §15-977) AFR or summary must be published (A.R.S. §15-904) Student immunization report due to local health department and DHS (A.A.C. R9-6-707 and A.R.S. §15-874) The publisher's affidavit of publication for the AFR must be filed with the Superintendent of Public Instruction (or no later than 30 days after publication).
December 15	Revised expenditure budget must be presented at a public meeting. Note: For required December 15 revisions, the district must publish the notice of a public hearing and board meeting no later than 10 days prior to the meeting.
December 18	Revised budget should be filed with County School Superintendent and electronically submitted to the Superintendent of Public Instruction. (A.R.S. §15-905)
December 31	Report to Superintendent of Public Instruction on number of applicants hired prior to completion of fingerprint check & number of applicants for whom fingerprint checks have not been received for 120 days & after 175 days of hire (A.R.S. §15-512)

About HM

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has offices in Tucson, Phoenix and Flagstaff, Arizona. With more than 28 years of experience, we are the recognized leaders in the State of Arizona in the field of school district accounting and auditing.

Our active involvement with national and state associations keep us up-to-date about emerging issues affecting your school district. We offer this free newsletter as part of our commitment to providing resources and training to school district business personnel.

For more about our firm, please visit our web site at www.heinfeldmeech.com.



Answer to Puzzler (Page 4): "More to it than meets the eye"