

## SECTION III--ACCOUNTING RECORDS

### OTHER ACCOUNTING RECORDS

In addition to the basic accounting records described previously, the school must also maintain various other subsidiary control records. These include:

A. Registered Warrant Register:

A Registered Warrant Register is used to record checks which are not paid for want of funds. This register should show the number, date and amount of each warrant, the fund upon which the same is drawn, the date of presentation, the name and address of the person in whose name the same is registered, the date of payment when made, the amount of interest and the total amount paid thereon, with the date when notice of call for payment is mailed to the person in whose name such warrant is registered.

Checks that are registered should be listed in both the Check Register and the Registered Warrant Register. The Registered Warrant Register serves only as a control record on the warrants from the time they are registered until they are paid.

An example of a Registered Warrant Register is shown at Illustration 15.

B. Investment Records:

This subsidiary record serves as a control for interest bearing deposits and investments and should support the respective general ledger accounts.

A suggestion would be to show each individual interest bearing deposit or investment on a separate sheet which should indicate any and all of the following information which is pertinent to the particular interest bearing deposit or investment:

- a. The type of interest bearing deposit or investment.
- b. An identifying number.
- c. The date purchased.
- d. The maturity date.
- e. The cost.
- f. The face value if different than cost.
- g. The amount of discount or premium.
- h. The fund which provided the amount for the interest bearing deposit or investment. (This would indicate the amount of ownership of all funds involved.)
- l. The bank, in the case of interest bearing deposits, in which the deposit has been made.
- j. The interest rate.
- k. The interest payment periods.
- l. The method of interest payment.
- m. The amount of interest received or credited.
- n. The receipt number which recognized the interest revenue.
- o. The dates interest was received.
- p. The amount received when sold.
- q. The date sold or redeemed.

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The school district should also provide a means by which the date and amount of interest received from the payer can be tested for propriety. This can be accomplished most efficiently within this control record.

This record also serves as a control for the interest bearing deposits and investments held by the school in the event one is lost.

The school should establish a written policy concerning the deposit and investment of school funds. (SDCL 4-5-8)

Deposits must be made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 110 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA.

Therefore, the school should be aware of what deposits are uninsured but collateralized or uninsured and uncollateralized. Deposits are reported at cost plus interest, if the account is of the add-on type. The interest should be recorded as earned or at least annually for proper report presentation.

In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a); or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) and repurchase agreements described in (b). Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

### **Investments are stated at fair value.**

The entity's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the entity or its agent in the entity's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the entity's name.

Any Category 2 or 3 amounts would be contrary to the delivery/ custody requirements of SDCL 4-5-9 for individual securities.

Therefore, the school should be aware of the risk category for each investment on hand and for each future investment as to be in compliance with South Dakota laws as applicable. A prospectus should be obtained for each mutual fund investment which will detail the level of risk the school is assuming for the investment.

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### C. Minutes of Official Proceedings of Board of Education:

Minutes of the board of education's proceedings are the fundamental communication between the board and the taxpayers. The following is a suggested format for recording and publishing minutes of the school board:

#### **Minutes of School District Board of Education Proceedings**

##### Members Present, Date(s), Location and Type of Meeting:

The names of the members of the board of education who are present or absent, the date(s) of the meeting, the location of the meeting and the type of meeting (regular or special meeting) should be indicated here.

##### Officers and Other Persons Present:

The names of the officers and other people attending the meeting should be listed.

##### Approval of Minutes: (SDCL 13-8-34)

This section should contain the approval of the minutes of the previous meeting(s), and also any corrections, amendments or modifications made before approval.

##### Report of Cash Transactions and Statement of Receipts: (SDCL 13-8-35)

The monthly financial report should be recorded here.

##### Claims Approved:

Except for salary claims and agency funds' claims, each claim approved for payment should be listed showing the claimant, the goods or services provided and the amount. (SDCL 13-8-35) However, expenditures made from the incidental account shall be listed in the minutes. (SDCL 13-18-17)

Salary expenditures should be reported in total by department. (SDCL 6-1-10)

##### Claims Rejected

All claims rejected should be shown giving the reason(s) for rejection.

##### Added or Increased Salaries: (SDCL 6-1-10)

Salaries of new employees and increases for existing employees should be listed in the meeting at which such additions or increases were approved.

##### Deposit and Investment Policies: (SDCL 4-5-6 to 4-5-11; 13-16-18 and 13-16-18.1)

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All accumulations in all school district funds shall be deposited in the district's official depository(ies) in checking accounts, savings accounts or time deposits, or invested in securities as allowed by statute. All deposits and investment transactions shall be by resolution(s) of the board, either covering the entire year or monthly resolutions authorizing such transactions. Domestic federal credit unions can be official depositories if funds are invested in accounts insured by the National Credit Union Association.

Bids: (SDCL 5-18-1 to 5-18-25 and 13-20-3 to 13-20-8)

Each item considered should be shown as a subtopic, such as typewriters for senior high programs, audiovisual equipment for elementary programs, etc.

Under each subtopic the name and amount bid by each bidder should be shown. If any bids are rejected, the reason(s) for rejection should be stated. The action of the governing body should be shown (contract awarded, tabled or all bids rejected) and if the contract is awarded to other than the lowest bidder the reason(s) should be clearly stated.

Items for which bids were opened and listed at a previous meeting need only show the action taken by the governing body under the respective subtopic heading.

Other Matters Discussed and Action Taken:

A topic heading should precede the description of each matter discussed and any actions taken by the school board which have not been specifically provided for in the preceding topic headings.

Adjournment:

The last paragraph of the minutes should include the approval for and time of adjournment.

Note: The following sections should appear in the minutes of the annual meeting:

Election of Officers: (SDCL 13-8-10 and 13-16-15)

The board shall elect a president and vice-president, and designate the official depository(ies), the custodian of all accounts and the legal newspaper.

Salaries of Officers and Employees: (SDCL 6-1-10)

Salaried employees should be listed showing their annual rate of pay. All hourly employees should be listed showing their hourly rate.

See Illustration 15 for sample minutes of a meeting using the suggested format.

Executive Session:

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Executive sessions or closed meetings may be held for personnel matters as defined in SDCL 1-25-2. SDCL 1-25-2 states:

Executive or closed meetings may be held for the sole purposes of:

- (1) Discussing the qualifications, competence, performance, character or fitness of any public officer or employee or prospective public officer or employee. The term "employee" does not include any independent contractor;
- (2) Discussing the expulsion, suspension, discipline, assignment of or the educational program of a student;
- (3) Consulting with legal counsel or reviewing communications from legal counsel about proposed or pending litigation or contractual matters;
- (4) Preparing for contract negotiations or negotiating with employees or employee representatives;
- (5) Discussing marketing or pricing strategies by a board or commission of a business owned by the state or any of its political subdivisions, when public discussion may be harmful to the competitive position of the business.

However, any official action concerning such matters shall be made at an open official meeting. An executive or closed meeting shall be held only upon a majority vote of the members of such body present and voting, and discussion during the closed meeting is restricted to the purpose specified in the closure motion. Nothing in SDCL 1-25-1 or this section may be construed to prevent an executive or closed meeting if the federal or state Constitution or the federal or state statutes require or permit it. A violation of this section is a Class 2 misdemeanor.

### D. Individual Earnings Record:

This subsidiary record serves to accumulate payroll information by employee for the year for income tax and other purposes. Entries would be made to this record each time payroll is processed. This record should be custom designed to cover all deductions authorized by the governing board.

An example of an employee's earnings record is shown at Illustration 16.