NEBRASKA DEPARTMENT
OF EDUCATION

RULE 2

UNIFORM SYSTEM OF ACCOUNTING FOR NEBRASKA PUBLIC SCHOOL DISTRICTS

TITLE 92, NEBRASKA ADMINISTRATIVE CODE,
CHAPTER 2

EFFECTIVE DATE
JULY 7, 2013
(REVISED)

State of Nebraska
Department of Education
301 Centennial Mall South
Lincoln, Nebraska 68509

TITLE 92 - NEBRASKA DEPARTMENT OF EDUCATION
CHAPTER 2 - UNIFORM SYSTEM OF ACCOUNTING FOR NEBRASKA PUBLIC SCHOOL DISTRICTS

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* (A copy of the appendix is on file at the Nebraska Department of Education's central office in Lincoln.)

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001 GENERAL INFORMATION

001.01 Statutory Authority. Section 79-1088 of the Revised Statutes of Nebraska (R.R.S.) requires the State Department of Education provide a uniform system of accounting, to which all public school districts in the State of Nebraska shall adhere.

001.02 Scope and Application of this Rule. This chapter governs the establishment of a uniform system of accounting for all public school districts in Nebraska.

001.03 Source. Information included in this chapter has been taken directly from or adopted from the handbook entitled Financial Accounting for Local and State School Systems: 2009 Edition as revised by the National Center for Education Statistics.

002 Definitions: As used in this chapter, unless the context otherwise legally requires, the following definitions shall prevail:

002.01 Coding Structure. Coding Structure refers to the system used to classify revenues and expenditures by a certain order.

002.02 Dimensions. Dimensions refer to the specific elements which describe a way of classifying financial activity.

002.03 Level. Level refers to classification by grade or by other organizational units, for example, elementary and secondary.

002.04 Membership. Count of students registered to attend school (present and absent) at a point in time during the school year.

002.05 Nebraska Budget Act. The Nebraska Budget Act begins in Section 13-501, R.R.S.

002.06 Object. Object refers to the type of service or commodity bought by the school district.

002.07 Source. Source is the classification of revenue by the point of origin of the funds received.

002.08 Tax Equity and Educational Opportunity Support Act shall mean the Act at Section 79-1001 et seq., R.R.S.

002.09 Without Excuse. Without Excuse means that school district personnel do not consider the student to have an excused absence.

003 General Procedures

003.01 Accounting System. An accounting system is that combination of people, equipment, methods, internal controls, and procedures organized to record financial activity and to display that activity in financial reports. A primary purpose of an accounting system is to produce financial information organized in meaningful ways for various reporting uses. The accounting system is the means by which financial data is acquired during the actual operation of the public school district, recorded in an appropriate permanent form, and then analyzed to produce the reports for various purposes.

Internal control is a system affected by the district's board of education, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations. Internal control consists of the following five interrelated components: (1) control environment (sets the tone of an organization, influencing the control consciousness of its people and is the foundation for all other components of internal control, providing discipline and structure), (2) risk assessment (the entity's identification, analysis and management of risks relevant to achievement of its objectives and to the preparation of financial statements that are fairly presented in conformity with accounting principles generally accepted in the United States of America (or another comprehensive basis of accounting) (Appendix A, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln), (3) control activities (the policies and procedures that help ensure that management directives are carried out), (4) information and communication (the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities), (5) monitoring (a process that assesses the quality of internal control performance over time).

003.02 Basis of Accounting. The basis of accounting refers to the point in time when revenues and expenses or expenditures are recognized in the accounting system. The basis of accounting, therefore, determines the time at which the accounting system recognizes accounting transactions.

003.02A Cash Basis. Cash-basis accounting recognizes transactions when cash is actually received or disbursed. Public school districts in Nebraska may operate on another comprehensive basis of accounting which includes the use of the cash basis of accounting.

003.02B Accrual and Modified Accrual Basis. Accrual basis accounting recognizes revenues as soon as they are earned. Expenses are recognized as soon as the liability is incurred, regardless of the timing of the related inflows and outflows of cash. For funds that use the modified accrual basis of accounting, revenues are recognized when earned, but only to the extent that they are available (i.e., collectible within the period soon enough afterwards to be used to pay liabilities of the current period). Debt service payments and a number of specified liabilities are only recognized as expenditures when due. Public school districts in Nebraska may operate on a system of accounting in conformity with accounting principles generally accepted in the United

States of America (Appendix A, a copy of which is on file at the Nebraska Department of Education's central office in Lincoln), which may include the use of the accrual and/or modified accrual basis of accounting.

003.03 Fund Accounting. A fund is a fiscal and accounting entity, with a self-balancing set of accounts and is completely independent of any other fund. All school district accounting systems shall be organized and operated on a fund basis. The reporting focus of the funds is upon determining financial position rather than net income.

003.03A General Fund. The General Fund may finance all facets of services rendered by the school district, inclusive of operation and maintenance. General Fund revenues are classified according to source while its expenditures are classified according to specific functions. The General Fund shall be maintained by all operating school districts in the State. General Fund expenditures are limited by the Tax Equity and Educational Opportunities Support Act.

003.03B Depreciation Fund. A Depreciation Fund may be established by a school district in order to facilitate the eventual purchase of a costly capital outlay by reserving such monies from the General Fund. To allocate monies from the General Fund, a school district will show the movement of monies as an expense from the General Fund and the Depreciation Fund will show the revenue as a transfer from the General Fund. The school district may divide this fund into more than one account to allocate a portion of this fund for different valid purposes. The purpose of a Depreciation Fund is to spread replacement costs of capital outlays over a period of years in order to avoid a disproportionate tax effort in a single year to meet such an expense. This fund is restricted as part of the Allowable Reserve by the Tax Equity and Educational Opportunities Support Act. The Depreciation Fund shall be considered only a component of the General Fund.

003.03C Employee Benefit Fund. An Employee Benefit Fund may be established in order to specifically reserve General Fund money for the benefit of school district employees (unemployment compensation, early retirement, health insurance deductibles, etc.). To allocate monies from the General Fund, a school district will show the movement of monies as an expense from the General Fund, and the Employee Benefit Fund will show the revenue as a transfer from the General Fund. The school district may divide this fund into more than one account to allocate a portion of this fund for different valid purposes. The cash reserve of this fund is restricted as part of the Allowable Reserve by the Tax Equity and Educational Opportunities Support Act. The Employee Benefits Fund shall be considered only a component of the General Fund.

003.03D Contingency Fund. A Contingency Fund is authorized by Section 79-1072, R.R.S. and may be established by Class II, III, IV, V and VI school districts to fund uninsured losses and legal fees incurred by the school district for defense against possible losses. Expenditures from this fund shall not exceed five percent of the total budgeted General Fund expenditures of the school district. To allocate monies from the General Fund, a school district shall show the movement of monies as an expense from the General Fund, and the Contingency Fund shall show the revenue as a transfer from the General Fund. This fund is restricted as part of the Allowable Reserve by the Tax Equity and Educational Opportunities Support Act.

003.03E Activities Fund. The Activities Fund is required to account for the financial operations of quasi-independent student organizations, interschool athletics, and other self-supporting or partially self-supporting school activities, not part of another fund. The inclusion of such accounts in the General Fund (see 003.03A) would distort the financial position of the basic school operation and would complicate the computation of the net expense incurred in conducting school services. The Activity Fund shall not be used to record general operation revenues or expenditures, nor shall the Activity Fund be used as a clearing account for the General Fund. The school district may divide this fund into more than one account to allocate a portion of this fund for different purposes.

The financial operations of all school-connected activities are a legal responsibility of the school district board of education. If deficits in such activities are incurred, they shall be paid from the General Fund (see 003.03A). Such revenue shall finance only those projects which qualify for approval under policies established by the school district board of education for such activities.

003.03F School Lunch Fund. The School Lunch Fund is required to accommodate the financial activities of all Child Nutrition Programs. These include the School Lunch, School Breakfast, After School Snack, Special Milk, Child and Adult Care Food, and the Summer Food Service Programs. The School Lunch Fund shall reflect a record of all revenues and expenditures incident to the operation of all Child Nutrition Programs. If a deficit is incurred in the operation, the deficiency shall be covered by funds transferred from the General Fund.

003.03G Bond Fund. The Bond Fund shall be used to record tax receipts and the payment of bond principal and interest, and other related costs (i.e. investment interest, trustee fees, etc.). If the fund balance is not sufficient to meet interest or bond retirement payments from the Bond Fund, the General Fund shall be used for these payments. Revenue from a levy to retire bonds in any school district is retained in a separate fund by the county treasurer, the financial institution serving as a fiscal agent or the school district. Funds shall be disbursed upon appropriate demand. All records of the transactions in this area shall be maintained in this fund. Proceeds from a bond issue shall be deposited into the Special Building Fund (see 003.03H) to be expended on the actual building project.

003.03H Special Building Fund. A Special Building Fund shall be established when a school district decides to acquire or improve sites and/or to erect, alter, or improve buildings. The sale of bonds, the sale of property, or tax receipts will be the primary sources of revenue for the Special Building Fund. Regardless of the source of money to be used for building construction and related costs, all income for this purpose shall be accountable through this fund. General Fund expenditures for the purpose of this fund are not allowable. Special Building Fund accounting provides a more effective means of identifying those expenditures associated with construction activities and provides a complete and consolidated record of all costs of the building program at the conclusion of a project(s). If more than one Special Building Fund activity is active at the same time, separate accounts for each project may be established within the single Special Building Fund. The tax levy for this fund is restricted. The Board of Education of Class II, III, IV, V, and VI school districts may approve a budget with a levy limitation of $0.14 per one hundred dollars of

valuation (Section 79-10,120 R.R.S.); or a tax levy not to exceed $0.175 per one hundred dollars of valuation may be established for this fund in any class of school district except a Class I district by a vote of the people for a term of not to exceed ten years (Section 79-1098 R.R.S.).

A combined tax levy not to exceed $0.05 per one hundred dollars of valuation (Section 79-10,124 R.R.S.) may be established for this fund and the Qualified Capital Purpose Undertaking Fund (Section 79-10,110 R.R.S.) in a Class I school district. The Special Building Fund levy for a Class I school district must be approved by a vote of the people as provided in Section 79-10,122 R.R.S. For Class I districts, the school board of the primary high school district (Section 79-1083.02 R.R.S.) must approve any use of the Special Building Fund and Qualified Capital Purpose Undertaking Fund levy and provide written notification of approval to the Class I district (see 79-10,124 R.R.S.).

003.03I Qualified Capital Purpose Undertaking Fund. A Qualified Capital Purpose Undertaking Fund may be established for the removal of environmental hazards, the reduction or elimination of accessibility barriers in school district buildings, and for the repayment of qualified zone academy bonds issued for a qualified capital purpose or any American Recovery and Reinvestment Act of 2009 bond (see 92 NAC 87), for modifications due to life safety code violations, indoor air quality projects or mold abatement and prevention projects. General Fund expenditures for the purpose of these funds are not allowable. The tax levy for these funds is limited to $0.052 per hundred dollars of valuation for Class II, III, IV, V, and VI school districts and shall not exceed ten years for each environmental hazard abatement project, accessibility barrier elimination project, modifications due to life safety code violations, indoor air quality project or mold abatement and prevention project and shall not exceed fifteen years for each qualified capital purpose for which the qualified zone academy bond was issued according to Section 79-10,110 R.R.S. Any bonds issued under the American Recovery and Reinvestment Act of 2009 are limited to a period not exceeding the maximum term established according to federal law for the type of bonds as permitted by the American Recovery and Reinvestment Act, or, if no term is established, thirty years.

A combined tax levy not to exceed $0.05 per one hundred dollars of valuation (Section 79-10,124 R.R.S.) may be established for these funds and the Special Building Fund in a Class I school district. For Class I districts, the school board of the primary high school district (Section 79-1083.02 R.R.S.) must approve any use of the Special Building Fund and the Qualified Capital Purpose Undertaking Fund levy and provide written notification of the approval.

003.03J Cooperative Fund. The Cooperative Fund may be used by the school district acting as the fiscal agent for any cooperative activity between such district and one or more public agencies as defined in Section 13-803(2) R.R.S. All public agencies, including the school district acting as the fiscal agent, shall show the payment for services to a cooperative in their General Fund (see 003.03A).

003.04 General Information

003.04A Creating Funds. When it is determined that one of the listed funds is necessary, the district's Board of Education approves the creation of the fund when the budget, as required by the Nebraska Budget Act, is approved. The district's Board of Education shall specifically designate the uses for the Depreciation and Employee Benefits Funds.

003.04B Discontinuing Funds. When it is determined that one of the listed funds is no longer needed, the district's Board of Education shall take action to discontinue the fund. All remaining money in the discontinued fund must be transferred to the General Fund (see 003.03A).

003.04C Loans. Any class of school district may borrow money to the amount of seventy percent of the unexpended balance of total anticipated receipts for the General Fund, Special Building Fund, Bond Fund, or Qualified Capital Purpose Undertaking Fund for the current school fiscal year and the following school fiscal year (Section 79-1070 R.R.S.). These funds may also be used to make loans to each other. School districts shall follow the provisions of Sections 79-1070 to 79-1071 R.R.S., when borrowing money.

004 Coding Structure. A coding system shall be developed which distinguishes revenues from expenditures, identifies source of funds, identifies objects of expenditure, and if necessary for school districts, identifies school expenses as either elementary or secondary. For each type of transaction, the specific account code is a combination of classifications called dimensions. Each dimension describes a method of classifying financial activity.

004.01 Revenue Dimensions

004.01A Funds. Funds shall be established to carry on specific activities to attain certain objectives (see Section 003.03).

004.01B Revenue Source. This dimension permits segregation of revenues by the following sources:

004.01B1 Local Sources. Revenue from local sources is the amount produced within the boundaries of the school district.

004.01B2 County and Educational Service Unit (ESU) Sources. Revenue from county and ESU sources is revenue collected by the county or ESU and distributed to the school districts.

004.01B3 State Sources. Revenue from State sources is revenue from funds collected by the State and distributed to school districts.

004.01B4 Federal Sources. Revenue from federal sources is revenue from funds collected by the Federal Government and distributed to school districts, either directly or through some intermediate agency such as the State.

004.01B5 Non-Revenue Receipts. Revenue sources which constitute fund revenues in a strict fund accounting context, but are not considered revenues to the school district (i.e., loans, transfers from other funds, etc.).

004.01B6 Non-Program Receipts. Revenue resulting from temporary intra-agency transactions with an offsetting entry in the non-program expenditure account (i.e., receipt of transfers from a savings account to a checking account [see 004.02E]).

004.01C Project/Reporting. The project/reporting dimension permits local school districts to accumulate revenues to meet a variety of specialized reporting requirements, particularly for federally funded programs. For example, if schools participating in Elementary and Secondary Education Act Title I utilize both carry-over and current fiscal year funds, it is necessary to establish an accounting system which maintains a clear audit trail on each fiscal year's funds. Likewise, many school districts conduct both school year and summer programs which also necessitates separate accounting and reporting.

004.02 Expenditure Dimensions

004.02A Fund. Funds shall be established to carry on specific activities or attain certain objectives (see Section 003.03).

004.02B Function. The function describes the activity for which a service or material object is acquired. Functions consist of activities which have somewhat the same general operational objectives. For reporting purposes, the Nebraska Department of Education has classified the activities conducted by school districts according to the following functions: All Instructional Services (including Special Education, Flex-Spending, Limited English Proficiency, Poverty and Early Childhood); Support Services – Pupils; Support Services - Staff; Support Services - General Administration; Support Services - Office of Principal; Support Services - Business; Support Services - Maintenance and Operation of Buildings and Sites; Support Services - Pupil Transportation; Community Services; State Categorical Programs; Federal Programs; Debt Services; Summer School; Adult Education; Transfers; and Non-Program Charges.

004.02C Object. Object means the service or commodity obtained as the result of a specific expenditure. The Nebraska Department of Education has classified objects into seven major categories: (1) Salaries; (2) Employee Benefits; (3) Purchased Services; (4) Supplies and Materials; (5) Capital Outlay; (6) Other; and (7) Transfers. These broad categories may be subdivided to obtain more detailed information about Objects of Expenditures for internal reporting purposes.

004.02D Level of Instruction. This dimension permits segregation of expenditures by organizational level (elementary or secondary or by individual grade levels). This may be used by school districts preferring this level of detail.

004.02E Non-program Expenditures. An expenditure resulting from temporary intra-agency transactions with an off-setting entry in the non-program receipt account (i.e., transferring money from a checking account to a savings account [see 004.01B6]).

004.02F Project/Reporting. The project/reporting code permits school districts to record expenditures to meet a variety of specialized reporting requirements, particularly for federally funded programs. For example, if schools participating in Elementary and Secondary Education Act Title I utilize both carry-over and current fiscal year funds, it is necessary to establish an accounting system which maintains a clear audit trail on each fiscal year's funds. Likewise, many school districts conduct both school year and summer programs which also necessitates separate accounting and reporting.

004.03 Automated Systems. In automated systems, additional codes may be needed for both the expenditure and the revenue dimensions. These additional codes may be developed by local school districts as necessary.

005 Financial Reports

005.01 Budget. The budget, as required by the Nebraska Budget Act, relies upon correct and properly classified accounting information. By using the expenditure and revenue dimensions as described in Sections 004.01 and 004.02, the school district would have an appropriate accounting system for budgeting.

005.02 Annual Financial Report. A report utilizing the revenue and expenditure dimensions and other components of the school accounting system that identifies the financial activity of a school district is required by the Nebraska Department of Education. By using the expenditure and revenue dimensions as described in Sections 004.01 and 004.02, the school district would have an appropriate accounting system for completing the Annual Financial Report.

005.03 Accounting Handbook for Nebraska School Districts. The Users Manual entitled "Program Budgeting, Accounting and Reporting System for Nebraska School Districts," as developed and updated by the Nebraska Department of Education, provides detailed information to assist school boards and administrators to effectively accumulate and document financial data for educational management decisions and for reporting purposes. Nebraska school districts may utilize the Handbook to enhance the completion of the local school district budget, Annual Financial Report, and any other state and federally mandated reports not described in this section.

006 Student Membership & Attendance Reporting The following standards are used for completing reports for the Department of Education.

006.01 Membership. Students shall be counted in membership in their resident school district on the first day of their official enrollment. Official enrollment is determined by each school district's criteria for participation in classwork. A student is no longer a member of the school district when a transfer to another school district is affected or if he/she has withdrawn or graduated. The data from the Nebraska Staff and Student Record System is used to determine membership for individual districts.

006.02 Attendance. Students shall be counted in attendance when they are present on days when school is in session. A student shall be counted present only when he or she is actually at the school or is present at a school sponsored activity which is supervised by a member or members of the school staff. This may include authorized independent study, work-study programs, field trips, athletic contests, music festivals, student conventions, instruction for homebound students, or similar activities when officially authorized under policies of the local school board. It does not include "making up" school-work at home or activities supervised or sponsored by private individuals or groups.

006.02A Attendance at the school district level shall be collected at least daily and calculated to the nearest tenth of a day.

006.02B School districts shall maintain a cumulative attendance and membership record for each student.

006.02C The cumulative attendance and membership record must contain the date of enrollment, number of days or partial days in attendance and absent during each school year enrolled, and the date of withdrawal or graduation.

006.03 Aggregate Days of Attendance. This is the sum of the days in attendance (to the nearest tenth) of all students when school was actually in session during a given reporting period.

006.04 Average Daily Attendance. The aggregate days of attendance of a school during a reporting period divided by the total possible number of days school is in session during this period. Only days on which the students are under the guidance and direction of school staff should be considered as days in session (see 006.07). The average daily attendance for a group of schools having varying lengths of terms is the sum of the average daily attendances obtained for the individual schools.

006.05 Aggregate Days of Absence. Aggregate Days of Absence is derived by determining, to the nearest tenth of a day, the total days of absence for all students.

006.06 Aggregate Days of Membership. This number represents (to the nearest tenth) the aggregate number of days students could have been in class. It is derived by totaling the aggregate days of attendance and aggregate days of absence.

006.07 Days in Session. This number is (to the nearest tenth) the actual number of days school is in session with teachers and students present, this may vary from what was originally planned. Only days on which the students are under the direction of school staff shall be considered days in session. In grade levels where one or more students were enrolled full-time for only part of the school year and no students were enrolled for the remainder, use the same number of days in session as though the students would have been enrolled for the entire year.

006.08 Average Daily Membership. This number is the average number of students who were in membership on any given day during the school year. Calculate by dividing Aggregate Days of Membership (see 006.06) by Days in Session (see 006.07).