

Accrual Basis: Cash Disbursements

Please follow your district's policies and procedures, as not everything listed below may pertain to your district. This guide provides a comprehensive framework for managing financial disbursements under the accrual basis of accounting. It ensures proper authorization, payment processing, and recordkeeping, while promoting transparency, accountability, and compliance with state guidelines. The accrual method records expenses when they are incurred, not when cash is disbursed, providing a more accurate representation of financial obligations.

	Budget Approval	Purchase Requests	Contracts and Agreements
AUTHORIZATION OF EXPENDITURES	<ul style="list-style-type: none">• Ensure that all disbursements are within the limits of the board-approved budget. Record expenses when incurred, even if payment is not made immediately.• Verify that funds are available in the appropriate account before authorizing disbursements and adjust accrual entries for any outstanding liabilities	<ul style="list-style-type: none">• Require department heads or administrators to submit purchase requests or requisitions before processing payments.• Obtain appropriate approval (e.g., superintendent, board of education) before committing to expenditures.• Record the obligation as a liability (accrual) when the purchase is authorized, even if the payment will occur in a future period.	<ul style="list-style-type: none">• Ensure that payments are tied to approved contracts or agreements, and expenses are recognized when services are rendered or goods are received.• Accrue expenses related to contracts when the performance obligation is fulfilled, regardless of payment timing.

PAYMENT PROCESSING	Vendor Invoices	Payroll	Recurring Payments
	<ul style="list-style-type: none"> • Match vendor invoices with purchase orders and receiving documents to confirm that goods or services were received as ordered. • Verify the accuracy of the invoice, including amounts, terms, and due dates. • Record the liability when the goods or services are received (not when payment is made) and adjust for accrued expenses if payment is delayed. 	<ul style="list-style-type: none"> • Process payroll based on verified timesheets, employee contracts, or other pay schedules. • Accrue payroll expenses when earned by employees, regardless of when cash payments are made (e.g., at month-end or year-end). • Record the disbursement when salaries and benefits are paid to employees and accrue any unpaid wages or benefits at period-end. 	<ul style="list-style-type: none"> • Track and record recurring obligations, such as utilities, insurance or lease payments, when the expense is incurred, not when paid. • Ensure proper accrual of expenses for utilities and other services that span periods (e.g., electricity or internet usage).
DISBURSEMENT METHODS	Check Issuance	Electronic Payments	
	<ul style="list-style-type: none"> • Prepare checks for payment of invoices, payroll, or other obligations. Ensure that disbursements are properly authorized before issuing checks. • Record the disbursement when it is paid, but accrue the expense when incurred (e.g., when goods or services are received). • Obtain the required signatures (e.g., treasurer, board president) on all checks to ensure proper authorization. 	<ul style="list-style-type: none"> • Use electronic fund transfers (EFTs) for direct deposits or vendor payments where applicable. • Ensure proper authorization for all electronic disbursements and record the liability when the obligation is incurred (not when cash is transferred). 	

RECORDKEEPING	Transaction Entry		Supporting Documentation	
	<ul style="list-style-type: none"> Record all cash disbursements and liabilities in the accounting system when payments are made, and ensure they are matched to previously recognized expenses or accruals. Assign expenses to the appropriate fund or account (e.g., Education Fund, Operations and Maintenance Fund) to ensure accurate financial reporting. 		<ul style="list-style-type: none"> Maintain documentation for each payment, including invoices, receipts, purchase orders, approval forms, and contracts. Attach all supporting documents to the disbursement record for audit and reconciliation purposes. 	
INTERNAL CONTROLS	Separation of Duties		Check Safeguards	
	<ul style="list-style-type: none"> Implement segregation of duties to reduce the risk of fraud. Ensure that different personnel handle the authorization, processing, and recording of disbursements. For example, one person should approve purchase requests, another should handle the payment process, and a third should record the transaction in the accounting system. 		<ul style="list-style-type: none"> Store blank checks securely and limit access to authorized personnel only. Require dual signatures to ensure proper oversight and accountability on checks above a certain threshold. 	
			Approval Procedures	
		<ul style="list-style-type: none"> Establish a review process to ensure that all payments are properly authorized and documented before disbursement. Ensure that all invoices and payment requests are cross-checked for accuracy before authorization. 		
RECONCILIATION	Bank Reconciliation			
	<ul style="list-style-type: none"> Perform monthly reconciliations of cash disbursement records with bank statements to ensure accuracy. Investigate and resolve any discrepancies between the accounting records and bank statements promptly, ensuring accurate financial reporting. 			

REPORTING	Monthly Reports	Budget Monitoring
	<ul style="list-style-type: none"> • Prepare and present a monthly cash disbursement report to the board of education, showing payments by fund and category (e.g., salaries, vendor payments, utilities). • Ensure that disbursements are categorized and recorded according to the accrual method (expenses recognized when incurred). 	<ul style="list-style-type: none"> • Compare actual disbursements to budgeted amounts to identify variances and ensure financial control. • Adjust budget forecasts and projections to reflect actual expenses and maintain fiscal responsibility.
COMPLIANCE AND AUDIT	Adherence to State Guidelines	Audit Preparation
	<ul style="list-style-type: none"> • Ensure that all disbursements comply with the Illinois School Code and other applicable regulations (e.g., federal or state grant requirements). • Record and report any disbursements related to grants and special funding sources in accordance with grant terms and conditions. 	<ul style="list-style-type: none"> • Retain all disbursement records for review during the annual external audit, including invoices, contracts, purchase orders, and authorization documentation. • Ensure that all accrual entries for outstanding expenses are included in the year-end financial reporting to reflect the district's true financial position.

Using the accrual method will enable your district to have a more accurate reflection of its financial position and operations. It is essential to ensure proper documentation, compliance with regulations, and regular monitoring to maintain transparency and accountability in your district's financial management.