

# Accrual Basis: Cash Receipts

**Please follow your district’s policies and procedures, as not everything listed below may pertain to your district.** This guide provides essential procedures for managing revenue sources and cash handling, focusing on the accrual method of accounting. The accrual method ensures revenues are recognized when earned, regardless of when the cash is received. This guide outlines best practices for identifying and classifying revenue, safeguarding funds, ensuring transparency, and maintaining financial integrity through proper reporting and audits.

IDENTIFY & CLASSIFY REVENUE SOURCES	Property Taxes	State and Federal Grants	Student Fees and Other Revenues
	<ul style="list-style-type: none"> <li>Record property tax revenue when it is earned (i.e., when the taxes are levied), even if payment has not yet been received.</li> <li>Accrue property taxes at the time of levy based on anticipated amounts to be received during the fiscal period.</li> <li>Ensure the revenue aligns with levy amounts and budget projections for accurate financial reporting.</li> </ul>	<ul style="list-style-type: none"> <li>Record grant revenue when earned, not necessarily when funds are received. For example, when the district meets the eligibility requirements of the grant (e.g., Evidence-Based Funding, Title I, IDEA).</li> <li>Accrue revenue for grants as the district meets the terms of the grant agreement, such as expenditures incurred or performance requirements fulfilled.</li> <li>Retain all documentation for audit compliance, including grant award letters, program reports, and expenditure documentation.</li> </ul>	<ul style="list-style-type: none"> <li>Recognize student fees, meal program payments, and other revenues when earned, not when cash is received. For example, if a student registers for a course or participates in a program, recognize the fee revenue when earned, regardless of the payment date.</li> <li>Accrue any earned but not yet collected fees or revenues as receivables at the end of each reporting period.</li> <li>Segregate funds by type (e.g., tuition, activity fees, meal payments) to ensure accurate and transparent reporting.</li> </ul>

<b>CASH HANDLING &amp; COLLECTION</b>	<b>Daily Collections</b>	<b>Deposits</b>
	<ul style="list-style-type: none"> <li>• Designate authorized personnel to handle cash or check collections at school offices, district offices, or events.</li> <li>• Record and issue receipts for all collections to provide proof of payment and ensure accurate documentation.</li> <li>• For fees that are collected in advance (e.g., registration or activity fees), accrue the revenue as earned when the service is provided, even if payment is made in advance.</li> </ul>	<ul style="list-style-type: none"> <li>• Deposit collected funds into the district’s bank account regularly (e.g., daily or within 48 hours) to minimize the amount of cash on hand.</li> <li>• Use bank-validated deposit slips to document and track all cash and check deposits.</li> <li>• For funds received but not yet deposited, accrue the revenue on the district’s books as “cash on hand” or “bank deposit pending.”</li> </ul>
<b>RECORDING TRANSACTIONS</b>	<b>Entry in Accounting System</b>	<b>Cross-Check with Bank Statements</b>
	<ul style="list-style-type: none"> <li>• Record all revenue transactions in the accounting system immediately upon receipt, recognizing revenues when they are earned, regardless of when cash is deposited.</li> <li>• Assign each revenue item to the appropriate fund (e.g., Education Fund, Operations and Maintenance Fund) based on the source and purpose of the revenue.</li> <li>• Use an accrual-based approach to match revenues with the fiscal periods in which they are earned, not when cash is received.</li> </ul>	<ul style="list-style-type: none"> <li>• Reconcile revenue recorded in the accounting system with bank deposits regularly (daily or weekly) to ensure accuracy and completeness.</li> <li>• Investigate and resolve any discrepancies promptly to maintain accurate financial records.</li> </ul>

<b>INTERNAL CONTROLS</b>	<b>Separation of Duties</b>	<b>Verification and Approval</b>	<b>Physical Security</b>
	<ul style="list-style-type: none"> <li>• Implement segregation of duties to reduce the risk of fraud by separating responsibilities for cash collection, deposit preparation, and revenue recording.</li> <li>• For example, one person should collect funds, another should prepare deposits, and a third should record the revenue in the accounting system.</li> </ul>	<ul style="list-style-type: none"> <li>• Supervisors or managers should regularly review revenue logs, deposit records, and supporting documentation to ensure all revenue is accurately recorded and properly classified.</li> <li>• Conduct periodic audits of revenue transactions to detect discrepancies and ensure compliance.</li> </ul>	<ul style="list-style-type: none"> <li>• Secure cash and checks in a locked safe or secure location until deposits are made to minimize the risk of theft or loss.</li> </ul>
<b>MONITORING &amp; REPORTING</b>	<b>Monthly Reporting</b>	<b>Budget Monitoring</b>	<b>Compliance with ISBE Reporting</b>
	<ul style="list-style-type: none"> <li>• Prepare and submit monthly revenue reports to the district board and administrators, showing cash receipts by category (e.g., property taxes, grants, fees) and fund.</li> <li>• Ensure reports include accruals for revenue that has been earned but not yet received in cash.</li> </ul>	<ul style="list-style-type: none"> <li>• Compare actual cash receipts with budgeted revenue to identify variances and adjust forecasts as necessary.</li> <li>• Report any discrepancies between budgeted and actual revenue to ensure financial transparency and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that all revenue reporting is in compliance with Illinois State Board of Education guidelines for transparency and accountability.</li> <li>• Submit timely and accurate financial reports to the appropriate state authorities, including a breakdown of revenue by category and fund.</li> </ul>

ANNUAL REVIEW & AUDIT	Audit Preparation	Policy Review	Audit Compliance
	<ul style="list-style-type: none"> <li>• Retain detailed records of all revenue transactions, including documentation for grants, fees, and taxes, for the district’s annual audit.</li> <li>• Ensure that revenue recognition is in compliance with accrual accounting standards and that appropriate supporting documentation is available for auditors.</li> </ul>	<ul style="list-style-type: none"> <li>• Annually review and update district policies related to revenue recognition, collection, and reporting to ensure compliance with changing regulations and best practices.</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperate with external auditors during the annual audit process by providing accurate records, reconciling any discrepancies, and making any necessary adjustments to ensure financial statements reflect true financial performance.</li> </ul>

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.