

Accrual Basis Accounting Procedures

Please follow your district's policies and procedures, as not everything listed below may pertain to your district. This guide provides an overview of accrual basis accounting procedures tailored for school finance operations. It focuses on recording revenues and expenses when they are earned or incurred, regardless of when cash changes hands. This method ensures that financial statements reflect a more accurate and comprehensive view of your district's financial position.

	Recording Revenues	Accounts Receivable
REVENUE RECOGNITION	<ul style="list-style-type: none"> Revenues are recognized when they are earned, regardless of when payment is received. This includes property taxes, state or federal grants, student fees, and other sources of income. Recognize revenue from grants when the eligibility criteria are met, even if the cash is received later. Maintain supporting documentation (e.g., grant award letters, student fee schedules, or other income-related contracts). 	<ul style="list-style-type: none"> Record any amounts due from students, parents, or other entities as accounts receivable when the revenue is earned. Ensure proper aging of receivables to track outstanding payments and follow up on overdue amounts.
EXPENSE RECOGNITION	<ul style="list-style-type: none"> Expenses are recorded when they are incurred, not when paid. This includes payroll, vendor payments, and other district obligations. Document all expenditures with appropriate supporting materials, such as purchase orders, invoices, and contracts. Accrue expenses for goods or services received but not yet paid for at the end of each accounting period. 	<ul style="list-style-type: none"> Record accounts payable for amounts owed to vendors, employees, or other entities, even if payment has not yet been made. Maintain an updated accounts payable ledger to ensure timely payment and to avoid penalties for late payments.

PAYROLL MANAGEMENT	Payroll Processing		Timesheet Verification	
	<ul style="list-style-type: none"> Record payroll expenses when they are earned, which means when employees perform work, rather than when payments are made. Accrue for earned but unpaid wages and benefits at the end of the fiscal period. Deduct and remit taxes and other withholdings in compliance with federal, state, and local laws. 		<ul style="list-style-type: none"> Review and approve employee timesheets or attendance records before processing payroll. Ensure the accuracy of payroll entries and reconciliations to avoid discrepancies. 	
BUDGET MONITORING	Tracking Actuals vs. Budget	Accrual Adjustments	Cash Flow Management	
	<ul style="list-style-type: none"> Monitor accrued revenues and expenses against the approved budget to ensure compliance. Report budget variances to stakeholders regularly (e.g., monthly, quarterly, semi-annually) to facilitate timely adjustments. 	<ul style="list-style-type: none"> Ensure that any accrued revenues or expenditures are adjusted monthly to reflect the actual financial performance. 	<ul style="list-style-type: none"> Maintain a cash flow projection to avoid liquidity issues, particularly when large revenue streams, such as property taxes, are received seasonally. 	
REPORTING & RECONCILIATION	Accrual-Based Financial Statements	Bank Reconciliations	Periodic Reporting	Annual Financial Reports
	<ul style="list-style-type: none"> Prepare monthly and annual financial statements based on accrual accounting, including balance sheets and income statements, reflecting both cash and non-cash transactions (e.g., depreciation, accrued liabilities). 	<ul style="list-style-type: none"> Perform monthly reconciliations of all bank accounts. Ensure that cash transactions are accurately reflected in financial reports, while also adjusting for outstanding checks or deposits in transit. 	<ul style="list-style-type: none"> Prepare accrual-based reports, such as income statements and balance sheets, for the board of education, state authorities, and auditors. 	<ul style="list-style-type: none"> Ensure compliance with the Illinois School Code by submitting annual accrual-based financial reports to the Regional Office of Education and the Illinois State Board of Education.

INTERNAL CONTROLS & AUDITS	Separation of Duties	Audit Preparation	Policy Adherence
	<ul style="list-style-type: none"> Implement strong internal controls by segregating duties related to cash handling, recording, and reconciliation to prevent errors and fraud. 	<ul style="list-style-type: none"> Maintain comprehensive financial records to support the external audit process, ensuring that accrual entries are properly documented and supported by relevant documentation. 	<ul style="list-style-type: none"> Follow district policies and state requirements for the proper recording of revenues, expenditures, and accruals related to contracts, grants, and other financial obligations.
TAX COMPLIANCE	Property Taxes		Tax Filings
	<ul style="list-style-type: none"> Accrue property taxes when they are levied, regardless of when payments are actually received. Monitor property tax receipts and ensure they align with county treasurer disbursements for reporting purposes. 		<ul style="list-style-type: none"> Accrue and report tax liabilities as they are incurred. Ensure timely filing and remittance of federal, state, and local taxes based on accrued expenses.

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.