

The board recognizes its obligations under federal regulations to maintain fiscal control and fund accounting procedures that insure proper disbursement of and accounting for federal funds through direct and state-administered grants. The district's obligations extend to expenditure of funds associated with a grant award. The purpose of this policy is to outline the district's financial management system.

IDAHO FINANCIAL REPORTING MANAGEMENT SYSTEM ("IFARMS")

IFARMS provides the basis for complete financial and cost accounting, for the development of program budgets, and for the preparation of periodic financial reports. The uniformity of the system enables the district to fulfill state requirements and provides the flexibility to obtain program and account detail to meet management needs.

FINANCIAL MANAGEMENT STANDARDS

The federal standards for financial management systems are found at 2 CFR §200.302. The required standards include:

Identification of Federal Awards

The district identifies, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification includes, as applicable, the Catalog of Federal Domestic Assistance ("CFDA") title and number, federal award identification number and year, name of the federal agency, and, if applicable, name of the pass-through entity. The district identifies each federal program by project code within a separate federal or state program fund.

Financial Reporting

Accountability is the paramount objective of financial reporting. Accurate, current, and complete disclosure of the financial results of each federal award or programs is made in accordance with the financial reporting requirements set forth in the Education Department General Administrative Regulations ("EDGAR"). The district collects and reports financial information with the frequency required in the terms and conditions of the award and monitors its activities under federal awards to assure compliance with applicable federal requirements. All GAAP guidelines are followed.

Accounting Records

The district maintains records which adequately identify the source and application (i.e., use) of funds provided for federally-assisted activities. In accordance with federal regulations, these records contain information pertaining to grant or sub-grant awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest. All transactions are supported by source documentation (i.e., purchase orders/requisitions, invoices, receipts, travel vouchers, time-and-effort documentation and employee salary records, copies of checks, etc.).

The District maintains separate records for each grant period. Electronic records are maintained in 2M as well as some paper back-up documentation.

Internal Controls

Effective control and accountability will be maintained for all funds, real and personal property, and other assets. The district will adequately safeguard all such property and will assure that it is used solely for authorized purposes. “Internal controls” are tools (i.e., policies, procedures, best practices, and activities) to help program and financial managers achieve results and safeguard the integrity of their program. Internal controls should be designed to provide reasonable assurance that the following objectives are achieved:

- Effectiveness and efficiency of operations;
- Adequate safeguarding of property;
- Assurance property and money is spent in accordance with grant programs and to further the selected objectives (i.e. assure that assets are used solely for authorized purposes); and
- Compliance with applicable laws and regulations.

To accomplish these objectives, the district adheres to internal controls inherent within the accounting procedures as established by the State of Idaho and the State Department of Education (“SDE”) for all school districts. The district adheres to IFARMS. In addition, the District:

- Develops and maintains policies, procedures and effective practices to ensure federal funds are properly administered and spent, and federal property is safeguarded against loss and from unauthorized use or disposition. The district also ensures all employees who deal with federal funds are aware of the policies and procedures and are properly trained in the use of them. The district provides frequent opportunities for training to all employees regarding federal fiscal management requirements, including online and in-person training given by district administrators, SDE or others. The district maintains records of training for employees for compliance monitoring and audit purposes.
- Takes prompt action when instances of non-compliance are identified, including non-compliance identified in audit findings, and taking the appropriate disciplinary action for employees who do not comply (*See generally*, District Policies 412-Employee Conduct; 442-Code of Ethics for Certificated Employees; 443-Certificated Employee Evaluations; 454-Discharge of Certificated Employees; and 474-Evaluation of Non-Certificated Employees).
- Takes reasonable measures to safeguard protected personally identifiable information and other information designated as sensitive consistent with applicable federal, state and local laws regarding privacy and obligations of confidentiality. The district safeguards students’ personally identifiable information served in grant programs according to FERPA regulations by only allowing those persons with an education “need to know”

reason or job duty required access through their position. (See District Policy 681 – Student Records).

- The district uses the following, at least in part, to determine if internal controls are effective:
 - Only valid or authorized transactions are processed.
 - Transactions occurred during the grant period and were processed timely.
 - No proper transactions were omitted from the accounting records.
 - Transactions are calculated using an appropriate methodology.
 - Transactions appear reasonable relative to other data.
 - Property (including supplies and equipment) is tracked and used only for authorized purposes.
 - Property is properly disposed of.

Budget Control

On a regular basis, the district compares actual expenditures or outlays with budgeted amounts for each federal award. Prior to entering a purchase order, the district verifies adequate budget dollars in each federal award for each expenditure. The superintendent or designee approves purchase orders before checks are processed. The business manager provides the superintendent and the board with expenditure reports that detail percentage of the budget expended monthly. (See generally, District Policies 810-Budget Planning and Adoption; 812-Budget Adjustments; and 814-Budget Implementation and Execution).

Cash Management

The district maintains written procedures to implement the cash management requirements found in EDGAR.

Allowable Costs

The district maintains written procedures for determining allowability of costs in accordance with EDGAR.

OVERVIEW OF THE FINANCIAL MANAGEMENT/ACCOUNTING SYSTEM

The district accounting system is established to present, with full disclosure, the financial position and results of the financial operations of the district in conformity with generally accepted accounting principles. The accounting system currently used is [insert name of system], which is in compliance with IFARMS in accordance with Idaho law. IFARMS will be used as the basis for developing program budgets and the preparation of periodic financial reports.

The [identify responsible person, e.g., business manager] is responsible for managing budgets, payroll, purchasing and accounts payable. The general district budget is developed and loaded into the system during the months of April and May each year. The board holds a budget hearing in accordance with Idaho law and formally approves the budget. In June, federal program directors, working with estimated allocation figures, submit the Consolidated Federal

and State Grant Application (“CFSGA”). Once the CFSGA is approved and actual allocation figures are known, the original budget(s) are revised to align with each grant approval.

Unique fund numbers are set up to track each federal award in the [name of district’s system] system. The fund name is consistent with the CFDA title. A paper file is maintained for each federal award where award documents are maintained, along with monthly financial reports and copies of reimbursement requests. Federal award files contain the CFDA title and number, federal award identification number and year, the name of the federal agency and, if applicable, the name of the pass-through entity. The federal award files are retained for a minimum of five (5) years plus current year in accordance with the District retention policy.

Purchases are entered into the financial software by individual departments and proceed through the approval process for verification by several individuals before the final purchase order is approved and printed for use by the corresponding department.

The business manager is responsible for preparing financial reports, as required for local, state, and federal agencies, and approval by the board. The financial reports will reflect the financial activity and status of the district. These reports will include monthly and cumulative expenditures, program budgets, and balances remaining.

BUDGETING

The Planning Phase: Meetings and Discussions

Before Receiving the Grant Award Notice (GAN): The grant budget must be based on the proposed activities planned and described in the grant application. Prior to developing the budget, the Superintendent, assisted by the [position responsible, e.g. federal programs director or business manager] will develop program goals and objectives to supplement district resources in serving students in alignment with the district’s Continuous Improvement Plan. Initial budget development will be based upon estimates of federal program award amounts as provided by the SDE, as well as input from program and administrative staff with respect to individual program staff needs, number and assignments of paraprofessionals relative to program allocations, and need for instructional supplies and equipment. The primary considerations of initial budget development shall be the educational needs of students and the availability of existing district resources for meeting these needs. The [federal programs director] will coordinate with other district staff as appropriate to conduct the appropriate needs analysis using the appropriate data to determine the goals and objectives for the program and the activities that will be implemented to accomplish the goals and objectives.

Once the goals, objectives, strategies, and activities are outlined, then the budget to carry out the identified strategies and activities will be developed. The [federal programs director] coordinates with the district’s [business office] in preparing the budget to ensure budgeted items are categorized according to the proper class/object code. Budgets will be prepared and presented in a format that clearly identifies revenue sources and amounts and budgeted expenditures, in accordance with IFARMS accounting codes, and will be open for public inspection, consistent with district policy. The preliminary budget is submitted with the grant application and adjusted after receipt of the GAN if necessary.

The superintendent is responsible for presenting the proposed budget to the board for final approval of the budget and the policies reflected therein, such as proposed changes or additions to instructional programs and proposed salary schedules. Consideration of the proposed budget will take place in an open meeting with opportunity for public comment in accordance with district policy and state law. The approved budget will be included in the minutes of the board as documentation of its acceptance and approval.

After Receiving the GAN

If the superintendent determines that final program allocations necessitate revisions to program budgets, he/she shall discuss, review and propose budget revisions in coordination with federal programs staff and the business manager. If proposed revisions require amendment to proposals, the Superintendent will follow protocols of the amendment process.

Amending the Budget

If budget amendments are necessary because of a change in the federal allocation, the district is notified by the SDE. The federal programs director meets with the business manager to discuss how the budget will be changed, including what activities will be added or subtracted and the dollar amounts associated with them. Appropriate changes will then be made in the 2M system. The board shall have final approval of the amended budget and consideration of the proposed amended budget shall occur in an open meeting in accordance with Idaho law, with opportunity for public comment. The approved budget shall be included in the minutes of the board as documentation of its acceptance and approval. All documents related to the budget amendment are retained in the official grant file. An electronic record of all budget entries are maintained in the 2M system history files for easy retrieval.

Budget Control

The district monitors its financial performance by comparing and analyzing actual results with budgeted results on a periodic basis throughout the fiscal year, as required by Idaho Code §33-701(9). Monthly financial reports indicate budgeted amounts, monthly expenditures, year-to-date expenditures, and percentage of budget spent. The superintendent is responsible for reviewing these reports for the preceding month prior to presentation to the board. If the budget amount is found to be over the 25% maximum allotment by the federal government, a budget adjustment is proposed as discussed above. Once a budget adjustment is approved by the Board, the adjusted funds can be utilized.

ACCOUNTING RECORDS

All accounting records are maintained in the 2M financial management system. Funds are accounted for and records kept in accordance with state and federal regulations. The district uses the accounting terminology, including fund identification, specified in IFARMS and GAAP. The business office is responsible for maintaining the official accounting records of the District, subject to approval of the Superintendent or designee. The business office maintains (on paper or electronically) original source documentation to support all expenditures recorded in the general ledger. Source documentation may include, but is not limited to, purchase orders/requisitions, invoices, itemized receipts, travel authorizations and travel vouchers, contracts, proof of delivery, copies of checks, bank statements, etc. Whenever electronic source

documentation is maintained, the District ensures the documentation is easily retrievable and is readable in accordance with the requirements in 2 CFR §200.335.

SPENDING GRANT FUNDS

While developing and reviewing the grant budget, the business manager keeps in mind the difference between direct costs and indirect costs, as defined in EDGAR and 2 CFR Part 200, the Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards (referred to as Part 200). All costs charged to a federal grant are classified as either direct or indirect. All costs must be properly and consistently identified as either direct or indirect in the accounting system. It is the policy and or procedure for the district to review these costs to ensure the principles of the award are followed.

Direct and Indirect Costs

Determining Whether a Cost is Direct or Indirect: Direct costs are those costs that can be identified specifically with a particular final cost objective, such as a federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy. Indirect costs are those that have been incurred for a common or joint purpose benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted, without effort disproportionate to the results achieved. Costs incurred for the same purpose in like circumstances must be treated consistently as either direct or indirect costs. Indirect costs usually support areas that benefit all activities of the district, such as accounting/finance, budget, human resources, purchasing, building maintenance, etc.

Identification with the federal award, rather than the nature of the goods and services involved, is the determining factor in distinguishing direct from indirect costs of federal awards. Typical costs charged directly to a federal award are the compensation of employees who work on that award, their related fringe benefit costs, the costs of materials and other items of expense incurred to carry out the objectives of the federal award. The salaries of administrative and clerical staff are treated as direct costs only if all the following conditions are met:

- Administrative or clerical services are integral to a project or activity;
- Individuals involved can be specifically identified with the project or activity;
- Such costs are explicitly included in the budget or have the prior written approval of the SDE or federal awarding agency; and
- The costs are not also recovered as indirect costs.

Indirect Cost Rate: The district has discretion to use the indirect cost rate. In general, it is the policy of the district to not take indirect costs on federal awards. If the district elects to take indirect costs, it shall follow the procedures for calculating the indirect cost rate prescribed by the SDE and apply the policies and procedures outlined in federal regulations, as described below.

Applying the Indirect Cost Rate: Once the District has an approved indirect cost rate, the percentage is multiplied against the actual direct costs (excluding distorting items such as equipment, contracts in excess of \$30,000, pass-through funds, etc.) incurred under a particular

grant to produce the dollar amount of indirect costs allowable to that award. Once the district applies the approved rate, the funds that may be claimed for indirect costs have no federal accountability and may be used as if they were non-federal funds. For direct grants, reimbursement of indirect costs is subject to the availability of funds and statutory or administrative restrictions. The district reserves the right to waive the application of indirect costs to any grant project in the interest of maintaining the entire project award for the benefit of direct program services.

Where a federal program has a specific cap on the percentage of administrative costs that may be charged to a grant, that cap must include all direct administrative charges as well as any recovered indirect charges.



LEGAL REFERENCE:

Federal regulations

- 2 CFR §200.300 et seq. – Post Federal Award Requirements
- 2 CFR §200.56 – Indirect (Facilities & Administrative) Costs
- 2 CFR §200.413 – Direct Costs
- 34 CFR §75.564 – Reimbursement of Indirect Costs
- 34 CFR §76.569 – Using the Restricted Indirect Cost Rate

ADOPTED: March 17, 2026

AMENDED: