

TO: PERSONNEL RESPONSIBLE FOR ACCOUNTING PROCEDURES

**FROM: Mark Shepard, Associate Superintendent for Business Affairs
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SUBJECT: ACCOUNTING PROCEDURES

Basis of Accounting

Lincoln Public Schools prepares its financial statements using the modified cash basis of accounting. While a primarily cash basis methodology is used, the School District does utilize certain characteristics of accrual accounting in its accounting practices to more accurately depict the financial position of the School District.

Inventories are not recorded as disbursements until they are consumed. Accrued liabilities such as payroll-related accrued expenses are expensed prior to fiscal year end even though they are not actually disbursed on a cash basis. Purchase order encumbrances which include a specific dollar-amount liability in the general fund, the central interscholastic activity fund, the nutrition services fund, the cooperative fund, the contingency fund, and the educational service unit 18 fund are recorded.

Inventories

Inventories are valued at cost on an average cost basis and consist of commodities and expendable supplies held for consumption. Expenditures for donated commodities are determined on a first-in, first-out basis. The cost is recorded as a disbursement at the time individual inventory items are consumed.

Investments

Funds not needed for immediate obligations are invested in accordance with state statutes. See Business Affairs Bulletin #42 for additional information.

Capital Assets

Capital assets are recorded as disbursements when paid for by the School District and are not depreciated.