

## SECTION D: Fiscal Management

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Section D of the EPS/NSBA policy classification system provides a repository for statement concerning district fiscal affairs and the management of district funds. Statements relating to the financing of school construction, however, are filed in F (Facilities Development) section.

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## FISCAL MANAGEMENT GOALS

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The Board recognizes that money and money management compose the foundational support of the whole school program. To make that support as effective as possible, the Board intends:

1. To encourage advance planning through the best possible budget procedures.
  2. To explore all practical sources of dollar income.
  3. To guide the expenditure of funds so as to extract the greatest educational returns.
  4. To expect top-quality accounting and reporting procedures.
  5. To maintain a level of expenditure needed to provide high quality education without imposing an excessive tax burden on the community.
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Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**ANNUAL BUDGET**

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Under law, the district is required to adopt an annual budget setting forth revenues and expenditures. This annual school budget is the financial outline of the district's educational plan; it is also the legal basis for the establishment of tax levies to support public education within the district.

Public school budgeting is also regulated and controlled by legislation, state regulations and local Board requirements. The annual operating budget for the schools will be prepared and presented in line with state policy and will be developed and refined in accordance with these same requirements.

The school district budget will be prepared by the superintendent, with the assistance of the business manager, and presented to the Board for review. The superintendent will establish a time line for the preparation of the budget within state guidelines.

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**State References**

SDCL 10-12-29	Annual school district levy – Report to county auditor – Spread against property.
SDCL 10-12-42	Annual levy for general fund of school district
SDCL 10-12-43	Excess tax levy authorized for school districts – Vote by governing body – Announcement requirements – Referendum election
SDCL 10-12-44	County auditor in school districts authorized to raise additional revenue for general fund and special education funds
SDCL 13-11-2	Adoption of annual school budget – Publication – Cash flow – Levy – Changes in budget
SDCL 13-16-3	General fund defined

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**FISCAL YEAR**

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The fiscal year for all school funds will be July 1 through June 30. Financial reports for all funds will be presented for Board approval at the July meeting.

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**State References**

SDCL 13-26-1

School fiscal year – Local board to set length of school term,  
day and week – Number of hours in school term

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

## BUDGET DEADLINES AND SCHEDULES

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Preparation of the annual budget will be scheduled in stages throughout the school year with attention to certain deadlines established by law and Board policy.

The following will serve as a guideline in the scheduling of the budget:

January	Budget preparation begins.
March	Annual audit is requested.
May	The preliminary budget for the next fiscal year will be considered at the regular Board meeting.
July 15	Deadline for publishing proposed budget and notice of hearing in the official newspaper.
July 31	Deadline for budget hearing.
September 30	Deadline for Board approval of budget for the anticipated obligations of each fund (except Trust and Agency) for the fiscal year. By resolution the School Board will adopt a levy in dollars or dollars per thousand of taxable valuation sufficient to meet the school budget for each fund.
September 30	Deadline for reporting to the county auditor the levy in dollars or dollars per thousand of taxable valuation adopted by the Board, on the forms prescribed by the county auditor.

In accordance with law, any changes in the proposed budget incorporated into the final budget, will be published in the minutes within thirty days after the final adoption of the budget.

Established by law and Board policy

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### State References

SDCL 13-11-2	Adoption of annual school budget – Publication – Cash flow – Levy – Changes in budget
SDCL 13-11-2.1	Contingency line item in budget – Maximum – Transfer of funds
SDCL 13-11-3	Report of levy amount to county auditor – Spread against property in district – General fund and special education fund report

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## BUDGET PLANNING

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Budget planning for the district will be an integral part of the program planning so that the annual operating budget may effectively express and implement all programs and activities of the school system. Budget planning will be a year-round process involving broad participation by administrators, supervisors, teachers, other personnel throughout the school system, citizens and citizen groups.

The chief executive officer (CEO) / superintendent, in cooperation with the business manager, will have overall responsibility for budget preparation, including the construction of, and adherence to, a budget calendar. Principals will develop and submit budget requests for their particular schools after seeking the advice and suggestions of staff members.

The budget request will reflect the principal's judgment as to the most effective way to use resources in achieving progress toward educational objectives of the school.

The Board will give careful consideration to budget requests, review allocations for fairness and for their consistency with educational priorities of the school system.

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### State References

SDCL 13-11-2	Adoption of annual school budget – Publication – Cash flow – Levy – Changes in budget
SDCL13-11-2.1	Contingency line item in budget – Maximum – Transfer of funds
SDCL 13-11-3	Report of levy amount to county auditor – Spread against property in district – General fund and special education fund report
SDCL 13-39-13	Agreements with federal and state agencies

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017



**GENERAL FUND BALANCE**

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The School Board is committed to operating the district in a fiscally responsible manner while balancing student needs and the district’s financial obligations.

To ensure the district has the resources necessary to meet ongoing and routine financial commitments, the district shall maintain a general fund balance at a level sufficient enough to cover the cash-flow needs of the district. The district may also hold in reserve a portion of the district’s general fund that may be necessary to address long-term district financial plans or unanticipated emergency expenditures.

At least once per school year, the superintendent shall provide the board with recommendations regarding the management of the district’s general fund balance, including financial information detailing the district’s cash-flow and reserve needs.

Before the first day of August the Board shall file an annual report with the Department of Education. The report shall contain all the educational and financial information and statistics of the school district as requested in a format established by the Department of Education. The report shall also contain, for each month of the fiscal year, the month-end cash balances of the District's general fund, capital outlay fund, pension fund, and special education fund. The business manager with assistance of the secretary of the Department of Education shall make the annual report, and it shall be approved by the school board. The business manager shall sign the annual report and file a copy with the Department of Education.

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**State References**

- SDCL 13-13-10.1      Definitions
- SDCL 13-16-3        General fund defined
- SDCL 13-8-47        Annual report to department – Contents, filing and auditing –  
Past-due reports

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## BUDGET ADOPTION PROCEDURES

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Adoption of the budget is solely the responsibility of the Board. The Board will adopt the budget following the public hearing for the proposed budget. The proposed budget will be published in the official newspaper at the time notice of the budget hearing is given.

If, as a result of the public hearing, it should be determined that certain changes in the budget are necessary, these changes will be made before the budget is adopted. Adoption of the budget by the Board will be by roll call vote.

Following the adoption of the budget by the Board, the tax levy in dollars or dollars per thousand of taxable valuation will be reported to the county auditor on the appropriate forms.

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### State References

SDCL 13-11-2	Adoption of annual school budget – Publication – Cash flow – Levy – Changes in budget
SDCL 13-11-2.1	Contingency line item in budget – Maximum – Transfer of funds
SDCL 13-11-3	Report of levy amount to county auditor – Spread against property in district – General fund and special education fund report
SDCL 13-11-3.2	Amendment of budget to utilize unobligated resources

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

**BUDGET IMPLEMENTATION**

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The district budget serves as the control to direct and limit expenditures. Overall responsibility for this control rests with the superintendent, who will establish the procedures for budget control and reporting throughout the district.

The Superintendent is authorized to spend money called for in the budget classification without further approval of the Board. School Board approval must be secured to expend money in excess of major budget classifications.

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**BUDGET TRANSFER AUTHORITY**

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Transfer of surplus funds among the major classifications of the budget or within a major classification of the budget will be subject to Board approval.

In accordance with law, funds may not be transferred from the capital outlay fund or the special education fund. The school district is restricted from transferring any funds exclusive of federal funds from the general fund to the capital outlay fund.

Contingency funds may be transferred to any budget category, except capital outlay, with Board approval.

The unused portion of money that has been transferred into the special education fund may be transferred from the special education fund within the current fiscal year to the fund from which it originated.

All or any part of any school district fund may be loaned to any other district fund for a period not to exceed twenty-four months.

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**State References**

- SDCL 13-11-2.1 Contingency line item in budget – Maximum – Transfer of funds
- SDCL 13-16-14 Restriction on transfers from bond redemption fund
- SDCL 13-16-26 Transfers between school district funds

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## TAXING AND BORROWING AUTHORITY/LIMITATIONS

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### Taxing

State law establishes the district's taxing authority. The district establishes levies in accordance with South Dakota Property Tax Law, which may change annually. The governing body of the school district may impose an excess tax levy with an affirmative two thirds vote of the governing body on or before July fifteenth of the year prior to the year taxes are payable. The decision may be referred upon a resolution of the governing body of the school district or by a petition signed by at least five percent of the registered voters in the school district.

For capital outlay funds and special education funds the district establishes levies in accordance with South Dakota Property Tax law.

### Borrowing

By law, the Board is permitted to borrow money in anticipation of the collection of taxes for the purpose of securing funds for school operations. The amount of money borrowed cannot exceed the sum of 95 percent of the amount of uncollected taxes levied for the current school fiscal year, plus other uncollected receivables (including state or federal money, not yet received, but) owed to the district.

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### **State References**

Constitution of the State of South Dakota, Art. XIII, sec. 15

SDCL 10-12-29	Annual school district levy – Report to county auditor – Spread against property
SDCL 10-12-42	Annual levy for general fund of a school district
SDCL 10-12-43	Excess tax levy authorized for school district – Vote by governing body – Announcement requirements – Referendum election
SDCL 10-13-36	Excess tax levy authorized – Vote of governing body – Announcement requirements – Referendum election
SDCL 13-10-6	Tax levy for school district retirement system – Proceeds paid into fund
SDCL 13-15-12	Financing of interstate joint facilities
SDCL 13-15-13	Location of interstate joint facilities
SDCL 13-16-7	Additional tax levy for certain funds or obligations – Pledge to payment of installments of certificates – Remedies for enforcement
SDCL 13-16-10	Annual levy to pay school district bonds – Irrepealable – Exclusive of maximum levy
SDCL 13-16-11	Levy of annual tax for school district bonds – Reduction on accumulation of surplus in bond redemption fund

SDCL 13-16-12	Refunding bond proceeds placed in bond redemption fund – Reduction of annual tax levy
SDCL 13-16-13	Tax proceeds paid into bond redemption fund – Purposes for which used
SDCL 13-16-14	Restriction on transfers from bond redemption fund
SDCL 13-19	School district bonds and notes
SDCL 13-37-16	District tax levy for special education – School district special education fund

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

## FUNDING PROPOSALS AND APPLICATIONS

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The Superintendent will apprise the Board of district eligibility for federal, state and foundation grants. The Board will seek and use all funding that is consistent with the advancement of the educational program of the district and the policies of the Board.

The preparation of these proposals will be supervised by the Superintendent and will be coordinated with the budgetary practices and capital improvement program of the district.

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### State References

SDCL 13-39-13

Agreements with federal and state agencies

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

**REVENUE AVAILABILITY**

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Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, our school considered revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period.

Property taxes are levied on an annual basis. On the fund financial statements, the portion of the property tax levies that have not been collected by the end of the fiscal year and are not available will be considered deferred revenue.

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**References**

GASB 1600.106

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017



**REVENUES FROM TAX SOURCES**

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In an attempt to provide the best education possible within the financial resources available, the Board will:

1. Request adequate local funds for the operation of the school district. The amount of the financial support requested will yield sufficient revenue for the total expenses of the school district.
  2. Accept all available state funds to which the district is entitled by law or through state regulations.
  3. Accept all federal funds that are available providing there is a specific need for them and matching funds that are required are available.
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**State References**

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|--------------|--|
| SDCL 13-11-7 | Monthly payments to school districts – Interest on late payments<br>– Statements to business manager |
| SDCL 13-13   | General state aid to schools   |

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## REVENUES FROM INVESTMENTS

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School district funds not in use will be invested in savings accounts, time deposits or in bonds or securities issued and guaranteed by the United States government. Interest earned on such investment will be credited to the respective fund or to the general fund.

In accordance with law, money in any bond redemption fund, may be invested in any of the above-mentioned securities, provided the bonds become due and payable before the payment date of the bonds.

The Board will approve the investment of all funds, and this approval will be filed and recorded by the Business Manager.

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### State References

SDCL 13-16-18	Deposit and investment of fund accumulations – Crediting of interest – Maturity of bond redemption fund investments – Filing of resolutions
SDCL 4-5-5	Investment of political subdivision funds – Funds subject to provisions
SDCL 4-5-8	Investment policies for local funds determined by governing board
SDCL 4-5-9	Custody or deposit of investments – Exception – Credit of interest earned
SDCL 4-5-11	Supplemental authority for investment of public funds

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**REVENUES FROM SCHOOL-OWNED REAL ESTATE**

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In accordance with state law, the Board may approve the leasing of any of its real estate for the exploration of oil and gas and its development. Property leased will not interfere with the purposes of the school district. Revenues received from the leasing of such property will be directed into the school district general fund.

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**State References**

SDCL 13-24-5	Oil and gas exploration and development leases authorized – Private or public sale
SDCL 13-24-6	Pooling and unitization of oil and gas development authorized
SDCL 13-24-7	Oil and gas leases not to interfere with school purposes
SDCL 13-24-8	Oil and gas proceeds paid into district general fund
SDCL 13-24-10	Maximum term of leases of school property – Bid requirements
SDCL 5-2-12	Mineral reservation in leases and conveyances of state land
SDCL 5-2-13	Disposition of proceeds from sale or lease of reserved minerals

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**FOOD SERVICE FUND REVENUES**

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The district Food Service Fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing goods relative to the food service operation. Principal operating revenues of this operation are meal charges. Non-operating revenues include grants, donated commodities and interest earned. Operating expenses of the food service operation include salaries and benefits, food purchases and depreciation. The loss on disposal of capital assets is a non-operating cost.

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**References**

GASB P80.118

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

**RESTRICTED AND UNRESTRICTED RESOURCES**

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When both restricted and unrestricted resources are available for use, it is the entity's policy to use restricted resources first, then unrestricted resources as they are needed.

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**References**

GASB 2300.106(12)

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**DEPOSITORY OF FUNDS**

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As provided by law, the Board will designate a bank depository or depositories for the funds of the school district. It will be the responsibility of the Business Manager to deposit the money belonging to the school district in the designated bank depository or depositories.

The county auditor and county treasurer will be notified by the Business Manager as to the designated depositories. The county treasurer will be responsible for transferring all money received during the prior month to the school district in accordance with South Dakota Codified Law.

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**State References**

SDCL 4-6A	Insurance of Public Deposits
SDCL 13-8-10	Meetings of board – Election of officers – Designation of depository and newspaper -- Quorum
SDCL 13-11-7	Monthly payments to school districts – Interest on late payments – Statements to business manager
SDCL 13-16-15	Designation of depositories for school district -- Resolution
SDCL 13-16-15.1	Domestic savings and loan associations as official depositories - - Restrictions
SDCL 13-16-18	Deposit and investment of fund accumulations – Crediting of interest – Maturity of bond redemption fund investments – Filing of resolutions

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**AUTHORIZED SIGNATURES**

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The Business Manager will draw and sign all checks or warrants for the payment of verified vouchers approved for payment by the Board. Every check or warrant will be countersigned by the President or Vice President of the Board. The check or warrant will specify the person, firm or corporation to whom paid.

No check or warrant will be drawn by the Business Manager except for the indebtedness incurred prior to its issue and upon the presentation of an itemized invoice, duly verified. The invoice and verification will be retained by the business manager and placed on file in his or her office.

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**State References**

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|--------------|---|
| SDCL 13-8-2  | Composition and terms of office of school board members                           |
| SDCL 13-8-26 | Appointment of committees – Persons authorized to countersign checks and warrants |
| SDCL 13-18-8 | Business manager’s check register – Form and contents                             |

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## CREDIT CARD USE AND ELECTRONIC TRANSACTIONS

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The District is committed to using its financial resources wisely. The Board recognizes that credit cards and electronic transactions may provide school employees with a convenient payment option and may also improve business office efficiency.

**Credit Cards:** The Board authorizes the use of credit card or electronic payment for official District purchases and acquisitions. The Business Manager is responsible for authorization and control of the use of credit cards, subject to the final School Board approval of payments.

Authorized use of the credit card is limited to the person in whose name the card is issued and may not be loaned to another person.

The credit card is District property and used only for business-related purposes. It may not be used for personal purchases. Only the Business Manager or his or her designee is authorized to use the credit card when scheduling travel by District employees and/or consultants retained by the District as speakers, presenters, etc., including registration fees, lodging and airline tickets. The Business Manager is authorized to use a District credit card to purchase items online that cannot be reasonably purchased elsewhere or when purchasing or paying for items online results in significant savings or efficiency. The Business Manager is also authorized to use the credit card for prepayment of items/services when required by a vendor or in instances of savings to the District.

The card users shall submit charge card receipts to the Business Manager no later than the date established by the Business Manager.

The Business Manager shall audit the charge card receipts, reconcile the charge card statement and process the charges for payment.

Cardholders, with the exception of the Business Manager, are not allowed to use the credit card for purchases greater than \$1000 without prior Business Manager authorization.

Any cardholder benefits or revenue generated from the use of District-issued credit or purchase cards shall be for the exclusive use of the District. Employees shall reimburse the District for any charges that are disallowed by the employee's supervisor, the Business Manager or the Board. Employees must return the credit card to the Business Manager or School Board upon being directed to do so by the Business Manager or School Board.

**Electronic Transfers:** The Business Manager is authorized to electronically transfer funds.



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**State References**

SDCL 4-3-27

Credit card or electronic payment for purchases or transactions  
– Establishment of policies

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

**BONDED EMPLOYEES AND OFFICERS**

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School district Business Managers must be bonded for an amount determined by the School Board.

School personnel authorized to be in charge of trust and agency funds must also be bonded. When several school district personnel need to be bonded, the Board will approve a blanket bond.

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**State References**

- SDCL 3-1-5 Oath of office for civil officers – Bond
- SDCL 3-1-8 Acting as officer without qualifying as misdemeanor – Validity of acts of de facto officer
- SDCL 3-19 Indemnification of officers and employees
- SDCL 13-8-18 Amount of business manager’s bond
- SDCL 13-8-19 Approval and filing of bonds
- SDCL 13-8-20 New or additional bond required
- SDCL 13-8-21 Action on bond after default – Taxpayer’s action
- SDCL 13-16-19 Stewardship of agency funds – Designation of district employee in charge – Surety bond
- SDCL 13-16-20 Disbursements – Records – Receipts – Payment of claims – Serially numbered ticket sales – Destruction of records

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**FISCAL ACCOUNTING AND REPORTING**

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The Business Manager will be designated by the Board to be responsible for receiving and properly accounting for all funds of the district.

The Uniform Financial Accounting System for South Dakota School Districts will be used to record receipts and disbursements of the district.

The Business Manager will report all financial information to the state as required. The Board will receive monthly financial reports from the business manager that will include a statement of operating receipts and expenditures, and balance on hand in the several funds, a budget position report (upon request), and any other financial information that should be brought to the Board's attention.

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**State References**

- SDCL 4-11-6            Accounting manual for counties, municipalities, school districts, and their agencies
- SDCL 13-16-19       Stewardship of agency funds – Designation of district employee in charge – Surety bond

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**SCHOOL BOARD FINANCE COMMITTEE**

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Annually, the Board President will appoint two Board Members to serve on a Finance Committee. The purpose of the committee is to act as part of the checks and balances within the Business Office. At a minimum, the members of the committee will quarterly review receipts, bank reconciliations, vendor lists, and payroll records.

Original Adopted Date: January 2017

Reviewed: December 2016

Revised: January 2017

**TYPES OF FUNDS**

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School District funds are all moneys received by the school district or schools within the district or as a result of an activity carried on by the district.

All school district funds will be dispensed among the following funds: the general fund; capital outlay fund; special education fund; public service enterprise fund; trust and agency fund; or bond redemption fund, or pension fund until expired by law.

Sources for school district funds include: income from school property; school district borrowing through bonds or promissory notes; taxes; funds received from federal, state or other political subdivisions; funds received from individuals or organizations through paid admission, payments for materials, services, gifts or trusts; funds received from fines and penalties; and any other funds received by the school district or schools from any other source.

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**State References**

- SDCL 13-16-1 Sources of school district funds
- SDCL 13-16-2 Funds to comport with generally accepted accounting principles
- SDCL 13-16-3 General fund defined
- SDCL 13-16-4 Lease payments from general fund in federally affected areas – Purchase on option made from capital outlay fund

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## FINANCIAL REPORTS AND STATEMENTS

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It will be the responsibility of the business manager to prepare monthly financial reports for the Board's review. Reports will include budget, trust or agency funds, and special accounts.

At the close of the fiscal year, the business manager will report to the county auditor the total indebtedness of the district, the purpose for which issued, the liabilities, assets, resources and expenditures, and the total receipts and disbursements.

An annual report will be filed with the Department of Education.

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### State References

SDCL 6-9-1	Annual fiscal reports to county auditor by township, municipal and school district officers – Contents – Filing
SDCL 13-8-47	Annual report to department – Contents, filing, and auditing – Past-due reports
SDCL 13-16-21	Monthly and annual reports on agency funds -- Audits

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## INVENTORIES AND CAPITALIZATION

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The school district shall annually cause an inventory of non-consumable personal property to be made and placed on file with the business manager by June 30-

General fixed assets are divided into five main classes: land, buildings, improvements other than buildings, equipment, and construction work in progress. Fixed assets may be marked by a permanent method of identification. Periodic inventories should be taken by personnel designated by the superintendent. Generally accepted accounting principles require that each school adopt a dollar value indicating which fixed assets should be capitalized. The district's policy will be according to the following values:

<u>Classification</u>	<u>Value in Excess of</u>
General Equipment	\$5,000 per item
Food Service Equipment	\$5,000 per item
Buildings	\$50,000
Building Improvements	\$50,000*
Improvements Other than Buildings	\$50,000
Land	All land

\*This will be for building improvements that result in extending the useful life of the building.

### Depreciation

Straight line depreciation will be used.

In the acquisition of or additions to real property, plant, or equipment, any expenditure of one thousand dollars (\$1,000) or more shall be paid from the capital outlay fund as required by SDCL 13-16-6. The \$1,000 limitation shall apply to the total of each asset type on an invoice. Equipment purchases per invoice less than \$1,000 may be acquired from either the general or capital outlay fund.

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### **State References**

ARSD 10:02:01:01	Public personal property requiring inventory
SDCL 5-24-1	Annual inventory of personal property required of local officers and employees
SDCL 5-24-3	Place of filing of duplicate inventories
SDCL 13-16-6	Definition and use of capital outlay fund – Levy required

Original Adopted Date: July 2003  
Reviewed: November 2018  
Revised: December 2018

## PolicyFile: DIE

### AUDITS

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For any necessary reason an audit of the books of any school district may be called at any time by the Board or the electors of the district by petition signed by 20 percent of the resident taxpayers of the district as shown by the assessment roles of the preceding year, or the Auditor General.

The school district shall have financial and compliance audits performed at least every two years. The audit may be done by the Department of Legislative Audit or by a private firm authorized by law to audit financial records of school districts.

Trust and agency funds of the school district must be internally audited annually by a person selected by the Board.

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#### State References

SDCL 4-11-7.1	School district audit by private auditing firm
SDCL 4-11-7.2	Publication of school district audit results
SDCL 4-11-9	Reports of audits – Place of filing
SDCL 4-11-12	Publications of notice of county, municipal and school district audit reports – Contents and expense of notice
SDCL 4-11-13	Copies of audit reports received in evidence
SDCL 4-11-14	Civil action to recover misappropriated funds disclosed by audit report
SDCL 4-11-15	Notice to attorney general of civil actions – Compromise of actions
SDCL 4-11-16	Attorney general to oversee or institute civil actions – Criminal prosecutions not affected
SDCL 4-11-17	Attorney general to assist and supervise prosecutions
SDCL 4-11-18	Costs of audits charged to state agencies and local bodies – Computation – Witness fees and expenses – Collection of claims
SDCL 4-11-19	Deposit and crediting of reimbursed amounts
SDCL 13-16-28	Audit of school district books called by state, school board, or voters

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017



## PURCHASING

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The function of purchasing is to serve the educational program by providing the necessary supplies, equipment and services.

The Board declares its intention to purchase competitively without prejudice and to seek maximum educational value for every dollar expended. The Board will abide by the letter and the spirit of all laws and regulations relating to purchases by the school district and the control of its finances and property.

Within the framework of applicable laws and regulations, purchases and use of materials and manpower will be made in accordance with good business practices with the primary purpose of serving the instructional program.

The superintendent and business manager will serve as the purchasing agents. He or she will develop and administer the purchasing program for the schools with the assistance of the business manager, within the legal requirements and the adopted school budget.

School purchases will primarily be made only on official purchase orders approved for issuance by the appropriate unit head and signed by the district purchasing agents with such exceptions as may be made by the latter for emergency purchases and those made with petty cash funds.

All contracts must be approved by the Board in order to be binding on the school district.

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### State References

SDCL 13-16-24	Unlawful contracts and warrants void
SDCL 13-20-1	Board approval required for contracts
SDCL 13-20-3	Interest of school district officer or employee in sale of school equipment as misdemeanor -- Exception

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## INCIDENTAL ACCOUNTS

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In accordance with law, the Board may establish an incidental account in an amount determined by the board by setting aside, on an imprest basis, money from the general fund. This fund may be used for advanced payment or for claims requiring immediate payment, not to exceed the amount established by the board.

Expenditures against this account must be itemized, documented with receipts, and will be charged to the applicable fund. After the budget item is exhausted, no expenditures against the item may be made from the incidental account.

All expenditures from this account shall be listed with other bills in the regular school board proceedings.

*Notes: A detailed account of expenditures from the incidental account shall be presented at regular intervals not to exceed one month with all vouchers and receipts subject to audit.*

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### State References

SDCL 13-18-17      Incidental account

Original Adopted Date: January 2017

Reviewed: December 2016

Revised: January 2017

## BIDDING REQUIREMENTS

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The district will follow state bidding laws as defined by the South Dakota Department of Legislative Audit unless Federal Regulations provide for stricter regulations.

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### State References

SD Dept of Legislative Audit	Bid Booklet
SDCL 1-33B-9	Contracts not subject to Chap 5-18A
SDCL 13-16-6.1	Bidders agreement to state rate and schedule
SDCL 13-20	School district purchases and contracts
SDCL 5-18A	Public agency procurement
SDCL 5-18B	Procurement of public improvements
SDCL 5-18C	Procurement by local government units
SDCL 5-18D	Procurement by state agencies

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## LOCAL PURCHASING

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In awarding a contract, if all things are equal, including the price and quality of the supplies or services, the school district shall give preference:

1. to a public or private nonprofit corporation geographically located in the State of South Dakota that provides services for persons with disabilities and is certified by the Department of Human Services, if the other equal low bid or proposal was submitted by a business that was not a qualified agency;
2. to a resident business if the other equal low bid or proposal was submitted by a nonresident business;
3. to a resident manufacturer if the other equal low bid or proposal was submitted by a resident business that is not a manufacturer;
4. to a resident business whose principal place of business is located in the State of South Dakota, if the other equal low bid or proposal was submitted by a resident business whose principal place of business is not located in the State of South Dakota; or
5. to a nonresident business providing or utilizing supplies or services found in South Dakota, if the other equal low bid or proposal was submitted by a nonresident business not providing or utilizing supplies or services found in South Dakota.

In computing price, the cost of transportation, if any, including delivery, shall be considered.

A resident bidder shall be allowed a preference on a contract against the bid of any bidder from any other state or foreign province that enforces or has a preference for resident bidders. The amount of the preference given to the resident bidder shall be equal to the preference in the other state or foreign province.

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### State References

SDCL 5-18A-25	Preferences to certain resident businesses, qualified agencies, and businesses using South Dakota supplies or services
SDCL 5-18A-26	Resident bidder preferred over nonresident bidder from state or foreign province that has preference for resident bidders
SDCL 6-1-2	Conditions under which contract with local officer permitted – Contract voidable if conditions not fully met

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## **PURCHASING PROCEDURES**

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All materials to be ordered by the school district staff, whether for local or out-of-town orders, must be requisitioned through the purchasing agents for processing by the business office. The business office will maintain a central record system for the purpose of combining orders, avoiding duplication of purchases, taking full advantage of lowered prices for bulk purchasing, to follow up on delayed orders of delivery and to reconcile deliveries to orders before payment is made. This delivery control will be applied to all purchases, regardless of point of delivery.

Principals and department heads will examine carefully all requisitions submitted within their department for supplies, equipment and services. They will be responsible for verifying that items requested are needed before signing the requisition and sending it to the business office.

All orders must include the name and address of the supplier as well as the purchase price. If the exact price is unavailable, an estimate of the cost should be given.

If any person orders materials other than through the business office he or she will be individually responsible for the payment of the materials.

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## FOOD SERVICE PROCUREMENT POLICY AND WRITTEN STANDARDS OF CONDUCT

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The Tea Area School District Food Service Department will adhere to the following policy requirements for any procurement related to food service. All procurement of food, supplies, goods, and other services must comply with Federal, State and local procurement standards, whichever is the most restrictive.

The following defines various purchasing levels and the processes to be adhered to.

**Micro-Purchase (purchases between \$0-\$3,500)** – Micro-purchases may be awarded without soliciting competitive quotations when the following conditions are met:

- One aggregate purchase does not exceed \$3,500
- The price is considered to be reasonable
- Must be equitably distributed among qualified suppliers and must not be made from only one source

**Informal Procurement Methods (purchases of services and non-perishable supplies less than \$25,000; and food/perishables less than \$150,000)** – Informal purchases will be made using simple and informal methods such as price or rate quotations, for securing products and services, for each procurement when the following conditions are met:

- Must be less than \$25,000 in aggregate value (services and non-perishable supplies) or less than \$150,000 aggregate value (food/perishables)
- Price or rate quotations must be obtained from an adequate number of qualified suppliers (more than one source) prior to purchasing
- Quotes can be obtained by phone, email, fax, or catalogs
- The District must document the date, vendors consulted, and quotes received (including verbal quotes)
- Must purchase from the lowest price vendor

**Formal Procurement Methods (purchases of services and non-perishable supplies \$25,000 or more; and food/perishables \$150,000 or more)** – Formal procurement methods can be made using one of two options: Competitive Sealed Bidding - Invitation for Bid (IFB) or a Competitive Proposal - Request for Proposal (RFP).

- **Invitation for Bid (IFB)** – Bids are publicly solicited from two or more bidders and a firm fixed-price contract lump sum or unit price is awarded to the lowest price bidder whose bid conforms to all contract specifications, term, conditions, and required provisions. The IFB must meet the following conditions:

- Bids must be solicited from an adequate number of known suppliers, two or more, providing them sufficient time prior to the date for opening bids and the IFB must be publically advertised.
- The IFB will include specifications and pertinent attachments and must define the items or services to be procured in order for the bidder to properly respond.
- All bids will be publicly opened at the time and place prescribed in the IFB
- A firm fixed price contract award will be made in writing to the responsible bidder with the lowest bid. Where specified in the bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest.
- There is no negotiating contract terms or price.
- Any or all bids may be rejected if there is a sound documented reason.

Formal IFB procedures will be as follows:

- Development of product specifications
  - Advertisement of IFB in a newspaper of general circulation
  - Specifications and bid documents will be available to all potential bidders
  - Public opening and tabulation of bids
  - Selected bid will be submitted to the Board for approval
  - Vendors will be notified via email, mail or telephone if awarded or not awarded the contract
- **Request for Proposal (RFP)** – A RFP is used to solicit responses in a competitive negotiation procurement method. A RFP is more qualitative in nature, and the vendor solicitation responses are scored based on evaluation criteria specified in the solicitation. The RFP must meet the following conditions:
    - Must be publicized and identify all evaluation factors and their relative importance and any response must be considered.
    - Must be solicited from an adequate number of qualified sources, but must be more than one supplier.
    - Contracts must be awarded to the proposal that is most advantageous to the District with price and other factors considered; however, price must be the primary consideration.
    - Pricing can be based on the following:
      - Price on all goods, either as an aggregate (bottom line or total cost) or by line item.
      - Price on a representative sample of goods that reflects 75% or more of the estimated contract value. The most recent velocity/sales report from the current vendor and adjustments for any estimated change in menu and participation for the following year will be used to project the list of goods to be purchased and includes the top goods purchased by dollar volume representing the 75% threshold. Prices for the remaining goods listed in the solicitation should also be included, though they will not be a part of the market basket analysis.

Formal RFP procedures will be as follows:

- Development of product specifications and evaluation criteria
- Advertisement in a newspaper of general circulation
- Specifications and bid documents will be available to all potential bidders
- Conduct technical evaluation of the proposals. Each RFP will be evaluated, but is not limited to, the following criteria with a maximum score assigned to each criteria:
  - Pricing, which may include Market Basket and NOI
  - Distributor experience and qualifications, past performance, references and/or reputation with the District
  - Value added services, computer capabilities, product nutritional information, and/or marketing
  - Ability to meet service characteristics as defined by the District and listed in the RFP
- Selected proposal will be submitted to the Board for approval
- Vendors will be notified via email, mail or telephone if awarded or not awarded the contract

### **Equipment Purchases and Pre-Approval**

The SD CANS office has an approved list of equipment which does not require pre-approval for purchase. If an equipment item is not on the approved list and the purchase price is over \$5,000, pre-approval must be obtained from CANS before purchasing the equipment. A written request must be sent to CANS for approval to ensure the purchase cost is reasonable and necessary for the program. Proper federal, state and local purchase rules must be followed when making small or large purchases.

### **Bid Specifications**

District contracts will not be awarded to any potential vendors who write any of the bid specifications, the solicitation documents, or any of the contract language. Identical bid specifications and/or request for proposals will be provided to all potential vendors. This must include all important information such as delivery schedules, quantities, product specifications, and purchase conditions.

### **Geographic Preference**

No Geographic Preference (advantage based on location) is allowed with federal funds except for documented Farm to School (Farm to Plate) efforts.

### **Buy American**

The District will adhere to "Buy American" for the food service program. Therefore, Food Service is required to purchase, to the maximum extent possible, domestic products for use in meals served in our Child Nutrition Program. Domestic products are 100% domestically grown and processed. Advance notice/documentation is required if an exception is required to be substituted. Exceptions to Buy American are allowed when:

- Food preferences can only be met with foreign goods
- Insufficient quantity and/or quality is available in the USA
- Domestic cost is significantly higher than foreign



## **Standard of Conduct**

No employee, officer or agent of the District shall participate in the selection, award or administration of a contract supported by Federal, State, or local funds if he or she has a real or apparent conflict of interest. Such a conflict would arise when the employee, officer, or agent, any member of his or her immediate family, his or her partner or associate, or an organization which employs or is about to employ any of the persons referred to herein, has a financial or other interest in or a tangible personal benefit from a firm considered for a contract. The officers, employees, and agents of the District shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, parties to subcontractors, or organizations doing business with the District.

The District would like all employees to behave with the utmost integrity and never be self-serving, be fair in all aspects of the procurement process, be alert to conflicts of interest, and avoid any compromising situations.

Any employee who violates the terms of this policy shall be subject to disciplinary action, up to and including termination from employment. Non-employee agents or representatives may also be sanctioned and removed from their position as agent or representative for the district for violation of this policy.

The District procedures seek to avoid acquisition of unnecessary or duplicative items. Consideration is given to consolidating, or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made to determine the most economical approach.

For questions and concerns regarding procurement, solicitations, contract evaluation, and award contact the Business Manager or Food Service Director.

## **Contract Administration**

The District will maintain a contract administration system which will ensure contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. The authorized purchaser for the District, which is the Business Manager or the Superintendent, will review all aspects of any contractor bid documents, expenditures, processes, and procedural aspects to ensure compliance with all Federal, State, and School District regulations.

In any instance in which a contract or purchase order has been breached or violated by the contractor, the District will reserve the right to collect any and all damages that may arise from the breach of contract either through mediation or through an appropriate court proceeding, all of which will be retained by the District. In addition, the District reserves the right to administer appropriate sanctions, including barring the contractor from bidding on future contracts. In appropriate cases, the contract may include liquidated damages for failure to timely and/or appropriately comply with the contract provisions.

All contracts in excess of \$10,000 will address termination for cause and for convenience and include the manner by which it will be affected and the basis for settlement. Contracts made under a Federal award (such as with funding from the USDA Child Nutrition Program) will also contain applicable federal provisions as

referenced under Appendix II Part 200 – Contract Provisions for non-Federal Entity Contracts under Federal Awards.

### **Discounts, Rebates, Credits**

The District will verify that all food program contracts and procurements are net of all applicable discounts, rebates and credits. All contractors will maintain records and source documents in support of all costs, discounts, rebates, and credits.

### **Records Retention**

The District will retain all food program records for three years after final payments and/or three years after any pending matters have been closed and completed.

### **Bid Protest Procedure**

Any vendor who desires to protest the award of a bid pursuant to this policy shall, within fifteen (15) days after award of the bid, give notice of their protest. The notice shall state in detail the basis of the claimant's bid protest and the resolution requested. The bid protest shall be provided to the Business Manager or other person designated by the District to handle bid protests pursuant to the food service procurement policy. The Business Manager or other person so designated shall investigate the claim and issue a written decision within fifteen (15) days after receipt. If the claimant is not satisfied with the decision of the Business Manager, the claimant may appeal the decision to the Board. The notice of appeal shall be filed with the Board at the Office of the Superintendent within fifteen (15) days after issuance of the decision being appealed from. The appeal shall state the basis of the appeal and provide to the Board the original bid protest, together with a copy of the decision being appealed from. The specific grounds for the appeal shall be stated in the appeal and shall not include additional claims or information not provided with the original bid protest.

The Board at the next regular board meeting following the receipt of the appeal shall either hear the appeal or set a time to consider the appeal. The Board may in its discretion, render a decision based upon the information and records before the Board or, in the Board's discretion, may request the claimant and a representative of the District present information pertaining to the bid protest. In the event the Board chooses to hear from the bid protester and a representative of the District, each will be entitled to present or have someone on their behalf present their position to the Board.

Thereafter, the Board shall render its decision either at that meeting or at the next regular board meeting.

### **Debarment and Suspension of a Vendor**

For all food service contracts to be paid with Federal assistance, the District shall check the Federal Excluded Parties List System at the site below and document that the vendor has not been debarred or suspended. Verification will occur prior to a vendor being chosen and before a contract has been offered.

<https://www.sam.gov/portal/public/SAM/>

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## **State References**

2 CFR 200.317	Procurement by states
2 CFR 200.318	General procurement standards
2 CFR 200.319	Competition
2 CFR 200.320	Methods of procurement to be followed
2 CFR 200.321	Contracting with small and minority businesses, women's business enterprises, and labor surplus area firm
2 CFR 200.322	Procurement for recovered materials
2 CFR 200.323	Contract cost and price
2 CFR 200.324	Federal awarding agency or pass-through entity review
2 CFR 200.325	Bonding requirements
2 CFR 200.326	Contract provisions
2 CFR 400	Uniform administrative requirements, cost principles, and audit requirements for federal awards
7 CFR 210.21	Procurement
7 CFR 220.16	Procurement standards
7 CFR 225.17	Procurement standards
SDCL 5-18A-22	Procurements exempt from chapters 5-18A through 5-18D
SDCL 5-18A-14	Public improvement contracts involving fifty thousand dollars or more

Original Adopted Date: March 2018

Reviewed: February 2018

Revised: March 2018

## **VENDOR RELATIONS**

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The School Board wishes to maintain good working relations with vendors who supply materials, supplies and services to the district. Constructive efforts by the administration to seek the advice and counsel of vendors about how to improve such relationships are encouraged, subject to the limitations of the district's policies.

School officials involved in the selection or purchase of materials and services shall abide by district conflict of interest policies and avoid situations that could interfere, or appear to interfere, with the ability to make free and independent decisions regarding purchases on behalf of the district.

Each purchase shall be made with a commitment to the ethical expenditure of district resources and on the basis of quality, price and delivery, with past service being a factor if all other considerations are equal. Vendors have no obligation to contribute to solicitations from schools and any contributions on behalf of vendors shall be accepted according to applicable district policies with the expectation that the district shall not extend favoritism to any vendor.

No employee shall endorse any product of any type or kind in such manner as will identify him/her in any way as an employee of the District.

### **SOLICITATIONS**

Suppliers are encouraged to submit information about their products to the District's purchasing supervisor. The purchasing supervisor will meet with vendors to discuss their products as time and schedule allow.

### **VENDOR RELATIONS WITH SCHOOLS, STAFF AND STUDENTS**

No agent or salesperson shall be permitted to discuss business propositions, to distribute business propositions, or to canvass students and/or employees on district property unless approved by the Superintendent or a designee.

School officials shall not accept gifts from suppliers, contractors and others doing or seeking to do business with the school system if the gift serves no ethical business purpose or would create an actual or perceived embarrassment to the school district upon public disclosure.

Any employee receiving a gift from a vendor, contractor, or supplier with an estimated value in excess of \$50 shall report such gift to the business manager where a record of such gifts shall be maintained.

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## **State References**

SDCL 5-18A	Public Agency Procurement – General Provisions
SDCL 5-18B	Procurement of Public Improvements
SDCL 5-18C	Procurement by Local Government Units
SDCL 5-18D	Procurement by State Agencies
SDCL 6-1-1	Local officer's interest in public purchase or contract unlawful – Contract void
SDCL 13-20	School District Purchases and Contracts
SDCL 13-20-2.1	Interest of school district officer or employee in sale of school equipment as misdemeanor – Exception

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

## PAYMENT PROCEDURES

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All claims for payment from district funds will be processed by the business manager. Payment will be authorized against invoices properly supported by approved purchase orders, against properly submitted vouchers, or in accordance with salaries and salary schedules set by the Board.

List of accounts payable, including payroll lists, will be certified by the business manager and approved by the Board. Each registered warrant will be signed by the Board president and the business manager will sign the endorsement statement. Actual invoices, statements and vouchers will be available for Board inspection.

The business manager will assume responsibility for assuring that budget allocations are observed and that total expenditures do not exceed the amount allocated in the budget for all items.

The school principals will be responsible for observing budget allocations in their respective schools. Each will also serve as custodian of the activity accounts in his or her respective school and will be responsible for their proper handling and expenditures.

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### State References

SDCL 13-18-9	Registered warrant prenumbered and issued when funds insufficient – Records kept – Endorsement – Interest earned
SDCL 13-18-10	Checks for federal tax payments as preferred obligation – Special accounts for federal moneys
SDCL 13-18-11	Register of warrants not paid for want of funds – Payment in order of registration
SDCL 13-18-13	Call of registered warrants for payment – Cessation of interest

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**PAYDAY SCHEDULES**

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The School Board has established that all salaried employees will be paid bimonthly over a twelve (12) month period on the 15<sup>th</sup> day of the month and the last day of the month.

The School Board has established that all hourly employees will be paid bimonthly on the 15<sup>th</sup> day of the month and the last day of the month for hours worked for the corresponding pay period.

In the event that payday falls on a weekend or holiday, payroll will be issued on the workday preceding the weekend or holiday.

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**SALARY DEDUCTIONS**

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Deductions will be made from the paychecks of all employees for federal income tax, for retirement in keeping with state requirements and for OASI (Social Security).

ADDITIONAL DEDUCTIONS

In addition, the Board authorizes the following types of deductions from employee salaries, provided the employee has filed the proper permission or payroll withholding:

1. Employee contributions to the health and life insurance programs and any other similar programs that are or may be approved by the Board.

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**State References**

SDCL 3-10	Voluntary Salary Deductions
SDCL 3-11	Social Security Coverage
SDCL 3-12	South Dakota Retirement System

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017



**EXPENSE REIMBURSEMENTS**

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Personnel and officials who incur expenses in carrying out their authorized duties will be reimbursed by the district upon submission of a properly filled out and approved voucher and such supporting receipts as required by the business manager. Reimbursement will be in accordance with Board approved travel allowance, which will comply with the limits established by the State Board of Finance.

Such expenses may be approved and incurred in line with budgetary allocations for the specific type of expense.

When official travel by personally owned vehicle has been authorized, mileage payment will be made at the rate currently approved by the Board, and in accordance with the State Board of Finance.

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**State References**

- SDCL 3-9                      Travel expenses and Allowances
- SDCL 4-7-10.4            Budgeting and appropriations for compensation and expenses of members of state boards and councils and management, policy making or advisory bodies

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

**CASH IN SCHOOL BUILDINGS**

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Money collected by school district employees and by student treasurers will be handled with good and prudent business procedures both to demonstrate the ability of school system employees to operate in that fashion, and to teach such procedures to the students.

All moneys collected will be receipted and accounted for and deposited properly.

The amount of money retained overnight in schools will be limited to that needed for day to day operation.

All moneys collected, other than moneys needed for daily operations, will be brought to the business office no later than the next day of business. The Business Office will make deposits a minimum of twice a week.

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017

## SCHOOL PROPERTIES DISPOSAL PROCEDURE

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The Board may sell property of the school district that it considers no longer necessary, useful or suitable for school purposes. No board action is required to sell, trade, destroy, or dispose of consumable school supplies, printed text, or subscriptions. All property sold must be appraised by three real property owners of the school district unless that property is to be traded for other property, destroyed, transferred to another political subdivision, was created as result of an educational program, or is to be sold at public auction . The governing board may employ a person or persons licensed by the state to do fee appraisals in lieu of property owners.

Property appraised for less than \$500 may be sold without advertising for bids. Property, including property created as a result of an education program, appraised for more than \$500 will be advertised for sale in the official newspaper for two consecutive weeks, the first publication may not be less than 10 days before the sale. The notice of sale will describe the property to be sold and the time when the Board or its representative will open bids. Sealed bids will be filed with the business manager and opened as specified in the notice.

The Board will sell the property to the highest bidder. However, the board may reject any or all bids.

In lieu of the acceptance of bids, school property may be sold at public auction. The auction will be advertised by posting notices and newspaper advertising as described above. Property sold at public auction need not be appraised but the board should establish a minimum price.

Any school district library may discard over-duplicated, outdated, inappropriate, or worn library materials in accordance with state laws. Such discarded materials may be given to other libraries or to nonprofit agencies, destroyed, offered for public sale or traded to a vendor for future library material purchasing credits.

By law the district may also exchange or transfer property to another political subdivision. The governing boards of the respective jurisdictions will determine the terms and conditions of this exchange or transfer.

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### State References

SDCL 6-13	Disposal of Surplus Government Property
SDCL 13-15-7	Conveyance of school district property to United States for educational purposes – Terms of conveyance – Resolution and deed
SDCL 13-24-4	Exchange of property with state, municipality, township, or county

SDCL 13-24-9

School board power to erect, acquire, equip and dispose of school and accessory buildings – Dormitories for postsecondary students prohibited

Original Adopted Date: July 2003

Reviewed: December 2016

Revised: January 2017

## **CONTINUING DISCLOSURE REQUIREMENTS FOR MUNICIPAL BONDS AND CERTIFICATES**

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### GENERAL POLICY

It is the policy of the Tea Area School District 41-5, South Dakota (the "District"), to fully comply with any contractually required continuing disclosure obligations, as well as any disclosure requirements governing issuers of municipal bonds as prescribed by federal law and regulated by the U.S. Securities and Exchange Commission. The District has adopted the following policies and procedures to ensure that all documents, reports, and notices required to be submitted to the Municipal Securities Rulemaking Board (MSRB), pursuant to any continuing disclosure obligations, are properly submitted through the Electronic Municipal Market Access (EMMA) system and accompanied by identifying information in the manner prescribed by the MSRB. All District staff, employees, or independent contractors directly or indirectly involved with municipal bond offerings and related continuing disclosures of the District shall undergo annual training regarding these policies and procedures and the District's continuing disclosure obligations.

### SCOPE

These policies and procedures are applicable to the following:

1. All District staff, employees, and independent contractors directly responsible for handling documents, reports, notices, or other information connected to any municipal bond offerings and related continuing disclosures of the Tea Area School District;
2. All District staff, employees, and independent contractors not directly responsible for handling documents, reports, notices, or other information connected to any municipal bond offerings and related continuing disclosures of the Tea Area School District, but who assist District staff, employees, or independent contractors who are directly responsible for such matters; and
3. All District staff, employees, and independent contractors for whom the District has certified applicability.  
(hereinafter referred to collectively as "Identified Employees").

Whenever the provisions of these policies and procedures are in conflict with federal or state law, the governing law shall prevail.

### DISCLOSURE COORDINATOR

The Business Manager of the District, with approval of the Superintendent and the District Board, may appoint a Disclosure Coordinator other than the Business Manager

to oversee compliance with these policies and procedures and all continuing disclosure obligations of the District. The Disclosure Coordinator shall serve as the "point person" for Identified Employees, the District's Attorney, external auditors, and any third parties regarding the District's continuing disclosure obligations.

Working in conjunction with other Identified Employees, the Disclosure Coordinator shall be responsible for:

1. Maintaining accurate and complete records of all documents, reports, notices, or other information connected to any municipal bond offerings and related continuing disclosures of the District; and
2. Ensuring that all documents, reports, and notices required to be submitted to the MSRB, pursuant to any continuing disclosure obligations, are properly and timely submitted through the EMMA system and accompanied by identifying information in the manner prescribed by the MSRB; and
3. Scheduling the completion and auditing of annual financial statements well in advance of deadlines to ensure that such statements will be completed and filed on time; and
4. Communicating with Identified Employees, the District's Attorney, external auditors, and any third parties regarding the District's continuing disclosure obligations; and
5. Delegating continuing disclosure tasks to other Identified Employees, as necessary and appropriate, and supervising the proper and timely completion of said tasks; and
6. Monitoring the District's overall compliance with these policies and procedures, including coordinating the annual training required of all Identified Employees; and
7. Such other duties as required by the District Board or Business Manager or recommended by the District's Attorney.

Nothing in this section shall be construed as limiting the responsibilities of other Identified Employees to comply with the procedures and policies outlined herein.

#### DISSEMINATION AGENT

The Business Manager of the District, with approval of the Superintendent and the District Board, may hire a third party or outside person (the "Dissemination Agent") to oversee compliance with the policies and procedures delegated by the Business Manager regarding the continuing disclosure obligations of the District. A written acceptance of such designation shall be kept in the District office.

The Business Manager or Disclosure Coordinator must provide information to the Dissemination Agent immediately upon receipt. This includes all documents, reports, and notices required to be submitted annually ("Annual Reports") and otherwise to the

MSRB, pursuant to any continuing disclosure obligations, are properly and timely provided to the Dissemination Agent who must then submit such information through the EMMA system and accompanied by identifying information in the manner prescribed by the MSRB.

1. On an annual basis, the Disclosure Coordinator shall provide the Annual Report data to the Dissemination Agent in a timely manner. The Dissemination Agent shall compile and provide to the applicable repository, EMMA or otherwise (the, Repository”) by June 30 of each year (the “Dissemination Date”), the Annual Report for each Bond Issue in a format consistent with the Rule.
  - (a) If the Dissemination Agent has not received a copy of the Annual Report data in a timely manner, the Dissemination Agent shall contact the Disclosure Coordinator to determine the status of information and whether the District will remain in compliance with the Annual Report due date referenced above.
  - (b) The Dissemination Agent shall:
    - (i) determine each year prior to March, the name and address of each Repository; and
    - (ii) provide a certification to the District’ Business Manager and the Trustee (if applicable) that the Annual Report has been provided pursuant to this Dissemination Agreement. Such certification shall state the date the Annual Report was provided and list all the Repositories to which it was provided. The certification shall be in a format and communicated in a manner as agreed between Issuer and Dissemination Agent.
2. Monitoring the District's overall compliance with policies and procedures, including coordinating the annual training required of all Identified Employees; and
3. The Disclosure Coordinator shall provide to the Dissemination Agent notice of any event as defined by 17 CFR 240.15c2-12(b)(5)(i)(C) (“Material Event”) by the following procedures:
  - (a) The Disclosure Coordinator shall promptly notify the Dissemination Agent in writing of the occurrence of any Material Event, and such notification must be within five (5) business days of the occurrence of the event. Such notice shall instruct the Dissemination Agent to report the occurrence of the event.
  - (b) If the Dissemination Agent has been instructed by the Disclosure Coordinator to report the occurrence of an event, the Dissemination Agent shall file promptly a notice of such occurrence with the MSRB, but within ten (10) business days of the occurrence of the Material Event, to the extent the District has met the requirements in 3(a) above.

On or about November 19, 2015, the District hired Dougherty & Company LLC to become their Dissemination Agent in connection with their outstanding bond issues.

#### INTERNAL MONITORING

Immediately after implementation of these policies and procedures, and again after each new bond issuance of the District, the Disclosure Coordinator, Business Manager, Dissemination Agent, and any other key Identified Employees (the "Internal Reporting Group") shall meet to accomplish the following:

1. Compile a list of all the documents, reports, notices, or other information that need to be prepared and filed in connection with any municipal bond offerings and related disclosures of the District; and
2. Create a schedule for the completion and timely filing of the documentation described in above-referenced Item #1, in compliance with the requirements and deadlines imposed by applicable federal securities laws and the regulations of the U.S. Securities and Exchange Commission.

The Disclosure Coordinator shall report to the Internal Reporting Group at least once quarterly regarding the District's adherence to and compliance with the schedule created by the Internal Reporting Group for the completion and timely filing of disclosures. If for any reason the Disclosure Coordinator's report indicates that the District has fallen behind schedule, the Internal Reporting Group shall immediately work to resolve the issue and get the District back on schedule.

#### REPORTING COMPLIANCE FAILURES

Any Identified Employee who discovers a violation of these policies and procedures or the continuing disclosure obligations of the District shall immediately notify the Disclosure Coordinator in writing. The notification shall include a detailed description of the violation and the grounds for the report. The Disclosure Coordinator shall keep a record of the written notification of the violation; investigate the reported violation; and resolve any violations or compliance failures. In the event the Disclosure Coordinator is believed to be a part of the violation, the Identified Employee shall instead notify the District's Board or the Business Manager of the District of the violation in writing. All Identified Employees shall have the right to report violations without fear of reprisal.

#### ANNUAL TRAINING

All Identified Employees shall undergo training regarding the above policies and procedures and continuing disclosure obligations of the District at least once annually, and at such additional times as deemed necessary by the Disclosure Coordinator. Such training should explain any updates or amendments to the above policies and procedures, as well as any updates or amendments to the continuing disclosure requirements governing issuers of municipal bonds as prescribed by federal law and regulated by the U.S. Securities and Exchange Commission.

Original Adopted Date: July 2003  
Reviewed: December 2016  
Revised: January 2017