



## Expenses

1. Prepaid
  - a. Prepaid expenses arise whenever cash is disbursed and a portion of the associated benefit of the disbursement is for a future period. Thus, an asset (prepaid expense) is recorded on the books for the total disbursed and is charged (amortized) to the appropriate expense account ratably over the asset's life. Only expenses of \$1,000 or greater are recorded as prepaid.
  - b. Accounts payable, in conjunction with the accounting department, reviews the coding of all incoming invoices to ensure that all prepayments are identified. A prepaid expense spreadsheet is updated and journal entries are made on a monthly basis.



### **Budget Process**

1. Preparation of each New Fiscal Year's Budget
  - a. Admissions and Finance direct the projection of next year's enrollment and revenues. This information is generally gathered during the month of December through January.
  - b. In January, finance submits a preliminary draft of a budget based on enrollment projections to the President's Executive Council. Also, the Administrative units are required to submit budget requests for the new year to the President's Executive Council.
  - c. During the month of February, the President's Executive Council requests unique budget needs with justification and suggestions for all capital improvements. The Administrative Operations Committee is requested to input their departmental needs (unique) in writing and e-mail them to the Vice-President of Business and Financial Affairs by the end of February.
  - d. During February and March, the President's Executive Council compiles a draft of the coming fiscal year's budget for presentation to the Trustees. The Trustees' Executive Committee approves the net employee salary and benefit package based on the drafted budget.
  - e. In May, the provisional budget for next fiscal year will be approved by the Board of Trustees.
  - f. In September, the president, Trustee Executive Committee and the President's Executive Council will revise the provisional budget in light of actual enrollment of the fall semester.
  - g. During the month of September and through the month of October, the annual financial audit is preformed.
  - h. In November, the Board of Trustees approves the official budget and accepts the annual financial audit report.



### **Accrued Liabilities**

1. Monitoring of Accrued Liabilities
  - a. Accrued liabilities are items for which a service or benefit has been received and for which the related liabilities are both acknowledged and reasonably determinable, but which are not yet payable, either because of the terms of the commitments or because invoices have not yet been received.
2. Establishing a List of Expenses
  - a. The Accounting department has established a list of commonly incurred expenses that may require accrual at the end of each month. Although too numerous to list, these accounts are reconciled on a monthly basis.
3. Recording the Accrual
  - a. The staff accountant prepares a journal entry to record the accrued liability and the matching expense. The entry is then reviewed and approved by the Director of Accounting.



### **Balance Sheet Reconciliations**

1. Preparation of Reconciliations of all Balance Sheet Accounts
  - a. On a monthly basis, reconciliations are performed on all balance sheet accounts. The Director of Accounting and the Staff Accountant share the task of reconciling these accounts.
2. Investigation of All Discrepancies
  - a. All discrepancies are investigated during the month end reconciliation process. Any discrepancies are to be researched and corrected before closing the month.
  - b. All adjustments are made by journal entries. The necessary journal entries are prepared and entered by the Staff Accountant.
3. Supervisory Review of the Reconciliation
  - a. The reconciliations performed by the Staff Accountant are reviewed and approved by the Director of Accounting.
  - b. The reconciliations performed by the Director of Accounting are reviewed and approved by the Vice-President of Business and Financial Affairs.



### Cash Account Reconciliations

1. Preparing Bank Reconciliations
  - a. Midway College currently has nine (9) bank accounts that are reconciled on a monthly basis. They are:
    1. Expense Account – United Bank
    2. Perkins Account – United Bank
    3. Bagby Account – United Bank
    4. Transfer Account – United Bank
    5. Gaming Account – United Bank
    6. Temporarily Restricted Account – United Bank
    7. Rental Account – United Bank
    8. Schell Account – Fifth Third Bank
    9. Construction Account – Fifth Third Bank
  - b. Monthly bank statements are received by the 5<sup>th</sup> of each month.
2. The updated cash register spreadsheet (internal) and the general ledger accounts are first reconciled.
  - a. The cash register spreadsheet is updated on a daily basis. This is an internal document that lists the daily deposits along with any disbursements.
  - b. The monthly listing of all general ledger transactions made to the specified cash account is printed and compared to the cash register spreadsheet.
  - c. Any changes are made to the cash register spreadsheet, not the general ledger.
3. The updated cash register spreadsheet (internal) is then reconciled against the monthly bank statement.
4. Any discrepancies are researched and resolved by a journal entry.
5. The bank supplies Midway College with a downloadable disk to clear all checks for a particular month. Once this is downloaded, an outstanding check list is printed for both A/P and P/R. These listings are verified and entered into the outstanding checks listing of the bank reconciliation.



### General Ledger Posting

1. Edits and Postings to the General Ledger
  - a. Edits are generated by several departments on campus. They are as follows:
    1. BK edits – Created by the Communication Center
    2. CG edits – Created by the Business Office
    3. DB edits – Created by Accounts Payable
    4. FA edits – Created by Financial Aid
    5. GF edits – Created by College Relations and Development
    6. IV edits – Created by Accounts Payable
    7. JL edits – Created by both the Business Office and the Accounting Department
    8. LB edits – Created by Payroll
    9. MN edits – Created by both Accounts Payable and the Accounting Department
    10. RC edits – Created by both the Business Office and the Accounting Department
    11. VD edits – Created by both Accounts Payable and the Accounting Department
2. All edits are printed and sent to the Director of Accounting accompanied by all back-up documents. The Director of Accounting reviews all transactions before posting.



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## Expenditure Approval

1. Purchase Orders
  - a. The purchase of any item by Midway College requires pre-approval. A purchase order request must be submitted through the automated PO database.
  - b. Once the PO request is submitted, it must be approved by the department head, the executive council member and the Provost. If denied, the PO request is sent to the requestor along with an explanation of why it was denied. If approved, the PO request will be sent to the requestor stating that it has been approved along with a PO number. Once approved, the requestor is free to place the order. When placing the order, the requestor must give the PO number to the vendor and the vendor must include this number on the invoice.
  - c. All invoices will be sent directly to the Accounting Departments Accounting Assistant – Accounts Payable who will attach the appropriate approved PO to the invoice and schedule it for payment, which is 30 days from the date of the invoice. If an invoice is sent to A/P without a PO #, it will be stamped “Not Approved For Payment” and returned to the vendor.
  
2. Advances
  - a. An estimated travel request must first be filled out and saved to the travel request folder. The requestor will need to printout a copy of this for their records and to use when submitting a PO request.
  - b. A PO request must be submitted and include a breakdown of expenses with the date the advance is needed. In the comment section the following information is required:
    - Reason for trip
    - Destination
  - c. Once the PO request is submitted, it must be approved by the department head, the executive council member and the Provost. If denied, the PO request is sent to the requestor along with an explanation of why it was denied. If approved, the PO request will be sent to the requestor stating that it has been approved along with a PO number.
  - d. A check will then be issued to the employee on the next bi-weekly A/P check run.
  - e. Upon returning from the trip, the employee has 10 working days to fill out an employee expense report and submit it to the Accounting Departments Staff Accountant. This form must include the amount of the advance (if received before the trip), all expense incurred on the trip and all applicable receipts. If the advance given was more than the expenditures, the difference must be remitted with the expense report. If the advance given was less than the expenditures, the difference will be reimbursed to the employee on the next available A/P check run.

Refer to Section {C}  
{Business Affairs}Unit  
**Procedure for {C 1– Finances}**

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3. Office Supplies
  - a. All office supplies are to be ordered through the Hurst website. Once the supply order request is submitted it must be approved by the department head, the executive council member and the Provost. If denied, the supply order request is returned to the requestor marked Denied. If approved, the supply order request will be returned to the requestor stating that it has been approved. Once approved the supply order will automatically be placed with Hurst and the order will be filled.



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## Payroll Processing

1. Payroll
  - a. Midway College has a biweekly payroll totaling 26 payouts per year.
  - b. Two types of employees are contained within payroll
    - Non-Exempt hourly employees
    - Exempt salary employees
  - c. The payroll office collects hourly timecards every two weeks and auto-generates salary timecards at this time.
  - d. Once tabulated, the timecards are entered into AS400 to produce a payroll edit.
  - e. The edit is then compared to the previous payroll edit to account for any changes/additions in the amounts between payrolls.
  - f. Once all changes/additions have been accounted for, the payroll edit and all supporting documentation are forwarded to the Staff Accountant and the Director of Accounting for review and approval.
  - g. Once reviewed and approved, the Director of Accounting will return all documentation to the payroll office for final processing.
2. Checks and Direct Deposit Stubs
  - a. Payroll then generates paychecks and direct deposit stubs for distribution.
  - b. Employees who do not work on campus full-time have their checks mailed home.
  - c. Employees working on campus full-time have their checks distributed to the appropriate box in the communications center for pick-up.
4. Taxes
  - a. All tax forms and payments are processed by payroll and remitted to the proper entities in a timely fashion.
5. Sick and Vacation Time
  - a. An individual log for all employees is updated after each payroll to account for available balances of both sick and vacation time.
  - b. Taken dates for both sick and vacation time are also updated at this time on the same log.
6. Work-study payroll
  - a. Work-study payrolls occur only during the school year. They occur monthly and are applied directly to student accounts.